Acer Incorporated 2015 Annual Report

www.acer-group.com

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APPENDIX

1. Name, Title and Contact Details of Company's Spokespersons:

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Deputy	Wayne Chang	Manager	+886-2-2719-5000	Wayne.Chang@acer.com

2. Address and Telephone Numbers of Company's Headquarter and Branches

Office	Address	Tel
Acer Inc. Registered Address	7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan	+886-2-2719-5000
Acer Inc. (Xizhi Office)	8F., No.88, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	+886-2-2696-1234
Acer Inc. (Hsinchu Branch)	3F., No.139, Minzu Rd., East Dist., Hsinchu City 300, Taiwan	+886-3-533-9141
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3. Address and Contact Details of Acer Shareholders' Services

Address: 7F.-5, No.369, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan
Tel: +886-2-2719-5000
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4. Address and Contact Details of Auditing CPAs in the Most Recent Year

Name: Tzu-Chieh Tang and Wei-Ming Shih at KPMG
Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan
Tel: +886-2-8101-6666
Website: www.kpmg.com.tw

5. Overseas Securities Exchange

Listed Market for GDRs: London Stock Exchange Market
For further information, please refer to Website: www.Londonstockexchange.com
Listed Market for ECB: Singapore Exchange Ltd. Company
For further information, please refer to Website: www.sgx.com

6. Acer Group Website: www.acer-group.com


TOTAL DOMINATION
Predator G6


FULL-THROTTLE
PREDATOR
Predator Z35

Aspire Switch 10 E

reddot award 2015
winner

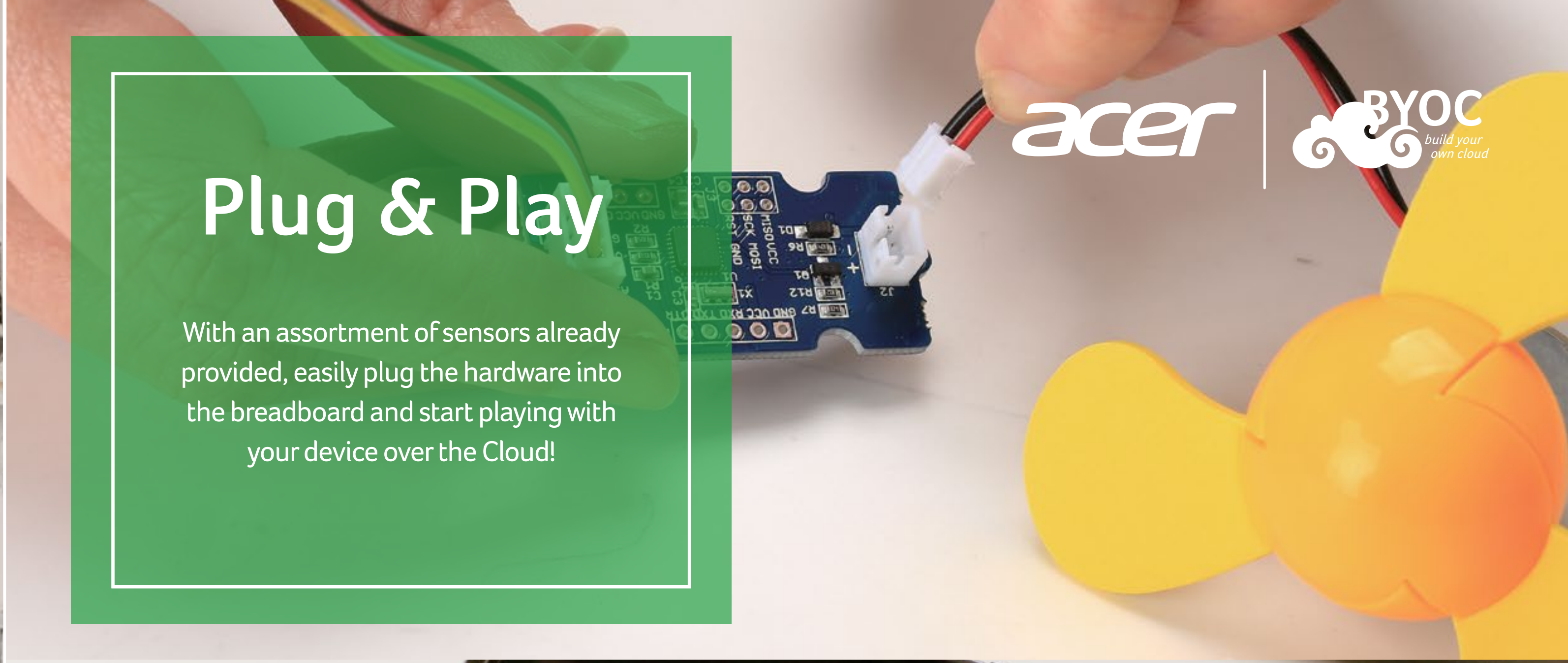
COMPUTEX

GOOD
DESIGN
AWARD
2015

Aspire R13

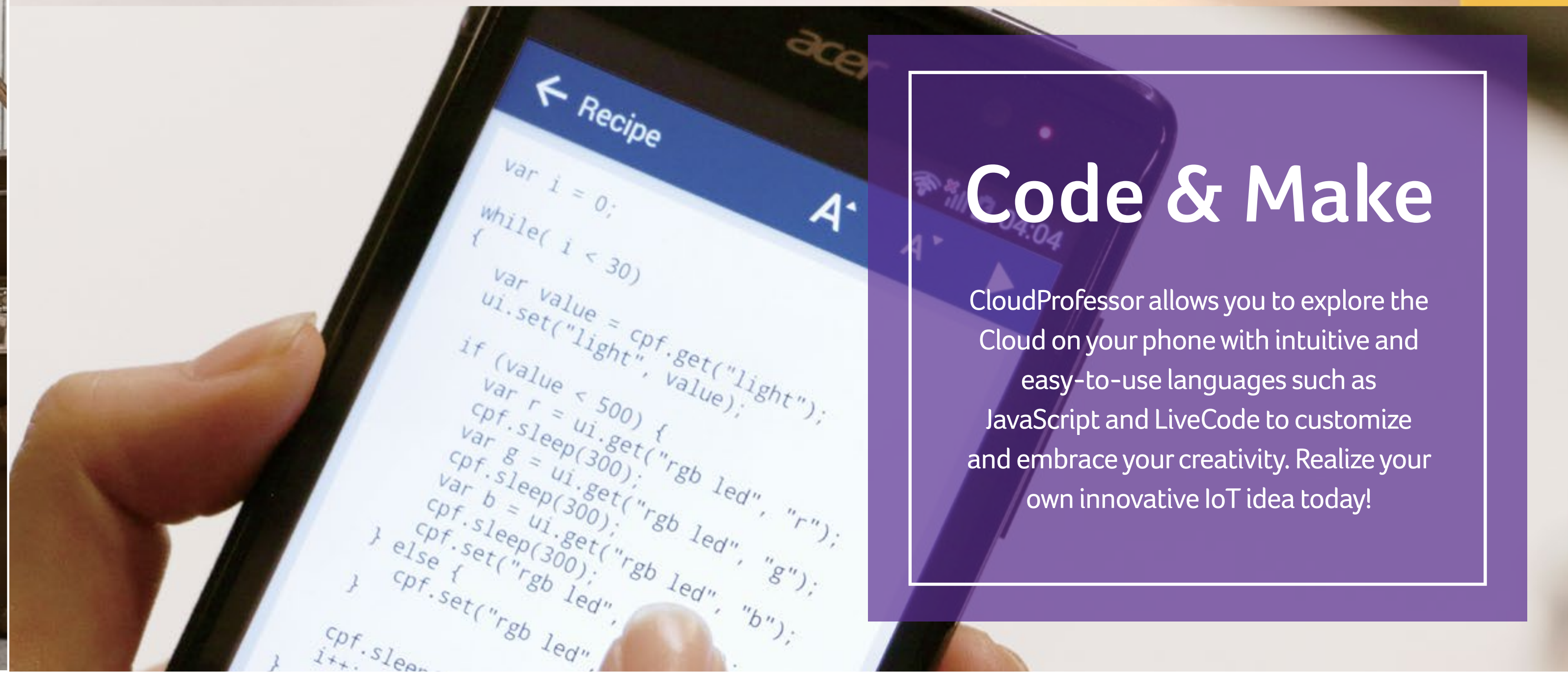
reddot award 2015
winner

CES
INNOVATION AWARDS
2015



Plug & Play

With an assortment of sensors already provided, easily plug the hardware into the breadboard and start playing with your device over the Cloud!



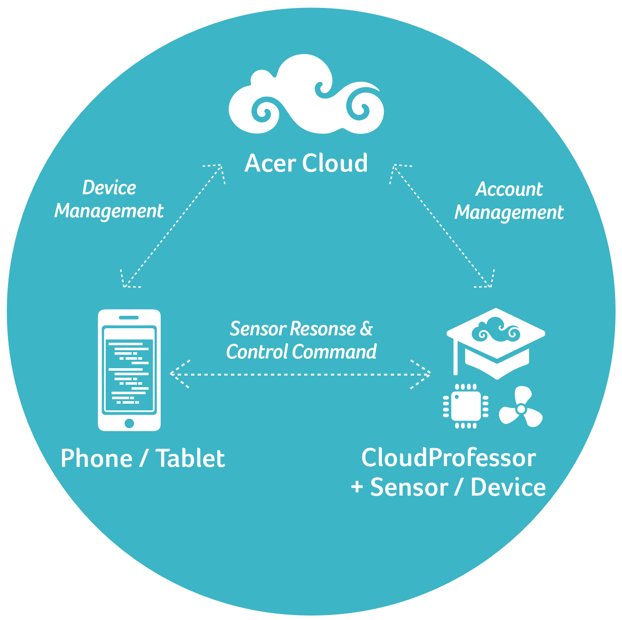
Code & Make

CloudProfessor allows you to explore the Cloud on your phone with intuitive and easy-to-use languages such as JavaScript and LiveCode to customize and embrace your creativity. Realize your own innovative IoT idea today!

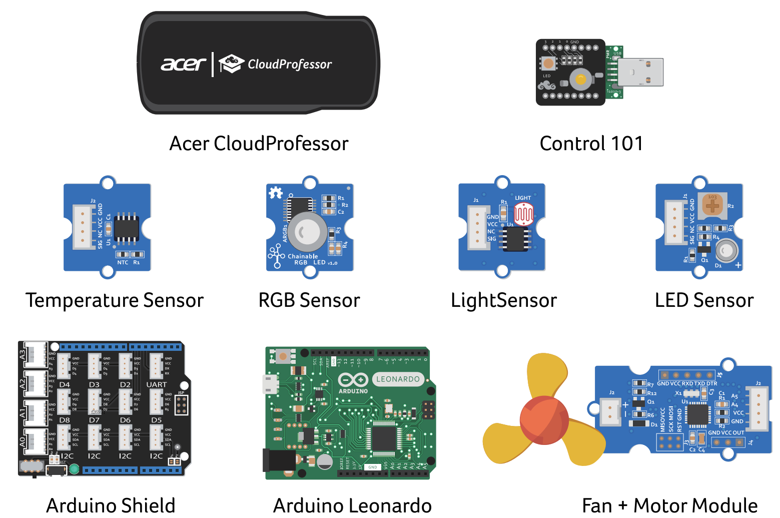
Your Ticket to IoT

Plug & Play, Code & Make !

Acer CloudProfessor is the world's first IoT starter kit, combining hardware, software and the Cloud. It is the easiest way for all people who are new to the IoT to learn what the Cloud is and how to bring their own unique creations into the world.



Everything You Need for IoT



CloudProfessor
IoT Starter Kit

For more information, please visit **www.acer.com/BYOC**
Contact us at ***BYOC@acer.com***

DISCLAIMER

This is a translation of the 2015 Annual Report of Acer Incorporated (the "Company"). The translation is intended for reference only and nothing else, the Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the Annual Report shall govern any and all matters related to the interpretation of the subject matter stated herein.

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1

Business Report to Shareholders

Acer Incorporated 2015 Annual Report
Business Report

Business Report to Shareholders

I am glad to share with you that even though the overall PC industry experienced strong headwinds and challenges over the past year, Acer has steered itself through turbulent waves by the sheer determination to focus on its strengths, and closed the 2015 chapter in profit.

We continued to transform ourselves through our optimized product mix strategies targeting different market segments, and reported 2015 consolidated revenues of NT$263.78 billion (US$7.98 billion) and earnings per share of NT$0.20, reflecting the macro PC industry decline and economic issues encountered in our European and Russian markets.

Along with our ongoing pursuit for product innovation and quality, making high-margin products was also a key. The effectiveness of our well-defined product positioning and product mix strategy was proven with our gross margin each quarter staying at close to 10% (Q1 - 9.8%, Q2 - 10.5%, Q3 - 8.1%, and Q4 - 9.4%).

For Acer's new value creation business development, our BYOC™ cloud services has formed alliances with a variety of partners from different fields of the Internet of Things (IoT). They include smart home, healthcare applications, connected vehicles, and smart classroom applications for Acer to integrate with hardware, software and services, to innovate in the IoT together. Acer will also instill the concept of Internet of Beings (IoB) into all of our products, paving the way for the tight integration of intelligence and devices in the future.

For the development of our new core business, we will combine innovative technology with a people-centric approach, to develop well-designed products with high profitability potential. We will place more resources into new value creation businesses to expand with an even more multi-faceted approach with a broader range of applications, gather more partners to jointly develop and accelerate the growth of the IoT/IoB domain, and mark Acer's place in this exciting and booming industry.

I wish to express my high appreciation to all our shareholders for your long-term support, which has always been one of our greatest encouragements. I am confident that as long as we stand united to transform our organization together through the determination to innovate and overcome challenges, we will successfully stabilize operations and achieve each milestone step by step. I hope that all our stakeholders will continue to uphold their confidence in Acer, and together move forward for a sustainable future!

George Huang

George Huang
Acer Chairman

1.1 Acer's Core Values

Under the Build Your Own Cloud (BYOC™) vision, Acer is transforming itself to a hardware + software + services company. Based on the Wangdao philosophy, Acer is working with partners to create value, and build an ecosystem that balances all stakeholders' interests. In the process of transition, new core values have been added to the original ones, with new elements and goals to strengthen the core competencies needed to ensure a stronger Acer for the future.

Today, the six core values for Acer are: Passion, User-centric, Innovation, Teamwork, Balance of Interests, and Integrity.

Core Value	Rational Meaning	Emotional Meaning
Passion	Be ready to change the world with a positive, enthusiastic, dare-to-dream and determined attitude.	• Serve as a bridge between people and technology. Be open to try new ideas, methods, and applications. • Endeavor to face challenges, break through bottlenecks and create value. • Sharpen professionalism to pursue excellence with dedication and enjoyment in work to keep one step ahead of our competitors. • Care for, delegate to, and support people. • Influence people through a positive attitude. • Face up to difficulties and solve them in innovative and realistic ways.
User-centric	Never forget that we are here to create value for end-users. Always think about the benefits we can bring them in everything you do.	• Explore users' habits and requirements by putting yourself in their position, and using the knowledge gained to design impressive products and services. • Base your decisions on sound research into users' requirements. • Listen to customers and understand the market trends from their point-of-view. • Create systems for evaluating users' needs and experience. • Build up a mechanism for developing products and services that meet global needs.
Innovation	Create unique competitive advantages and look for value-based innovations in everything you do.	• When engaged with product or service innovation, always consider users' needs and what they value to assure customer stickiness. • Remain curious and aggressive in the course of innovation. If you have criticism, make sure it is constructive. • Consider the commercial value of your proposed innovations or improvements. • Give equal consideration to cost, quality and the value that the innovation will deliver to end users. • Collaborate with strategic partners, and share cutting-edge knowledge to create value.
Teamwork	Communicate, create consensus and collaborate as one team. Place the groups' interests above the individual's interests and work towards a common goal.	• Use the five 5Cs (Communication, Communication, Communication, Consensus, Commitment) to enhance communication and collaboration. • Specify performance indicators that are mutually agreed by the teams, and then devote all team-members' efforts to achieve the goals. • Put the team's interests above an individual's interests. • Enhance interactions, respect and trust between teams. • Focus on the value chain as the highest priority in collaboration for maximizing customer value.
Balance of Interests	Work together to create value, overcome difficulties and construct a model that balances the interests of all stakeholders.	• Keep promises and build trust-based relationships with stakeholders. Make an effort to overcome difficulties and construct a model that balances different parties' interests. • Form collaborative relationships that balance the six aspect values: tangible vs. intangible; direct vs. indirect; present vs. future. • Value the balance among associated groups (environment, social, and cultural). • Motivate employees and partners and establish long-term partnerships.
Integrity	Abide by corporate governance, regulations and standards of business conduct not because we are required to, but because it is the right thing to do.	• Follow the codes of conduct or social norms when performing duties and always serve as a role model for others. • Never appropriate public resources for private use. • Never reveal or leak confidential information when inappropriate. • Be aware of and stop any behavior that may violate regulations or social codes.

Acer Incorporated 2015 Annual Report
Business Report

1.2 2015 Operating Report

1.2.1 Consolidated Operating Results

Unit: NTD Thousand

Item \ Period	2012	2013	2014	2015
Revenue	429,627,192	360,132,042	329,684,271	263,775,202
Gross profit	35,222,038	22,550,266	28,942,184	24,884,122
Operating (loss) income	938,497	(11,409,666)	2,707,665	938,608
Non-operating income and (loss)	(3,209,396)	(9,654,070)	(93,246)	(92,051)
Income (loss) before taxes	(2,270,899)	(21,063,736)	2,614,419	846,557
Income (loss) from Continued segment	(2,460,958)	(20,519,349)	1,790,584	603,795
Income (loss) from Discontinued segment	0	0	0	0
Net income (loss) after income taxes	(2,460,958)	(20,519,349)	1,790,584	603,795
Other comprehensive income (loss) for the period, net of tax	(2,810,851)	2,262,505	2,438,464	(829,149)
Total comprehensive income (loss) for the period	(5,271,809)	(18,256,844)	4,229,048	(225,354)
Net income (loss) attributable to Shareholders of the Company	(2,461,098)	(20,519,428)	1,790,690	603,680
Net income (loss) attributable to Non-controlling interests	140	79	(106)	115
Total comprehensive income (loss) attributable to Shareholders of the Company	(5,271,735)	(18,256,899)	4,229,180	(225,467)
Total comprehensive income (loss) attributable to Non-controlling interests	(74)	55	(132)	113
EPS (in New Taiwan Dollars)	(0.90)	(7.54)	0.66	0.20

1.2.2 Budget Expenditure in 2015

Not applicable.

1.2.3 Financial Income and Earning Abilities

Unit: NTD Thousand

Item		2015
Financial Income	Operating revenue	263,775,202
	Gross profit	24,884,122
	Income after tax	603,680
Earning Abilities	Return on assets (%)	0.49
	Return on equity (%)	0.95
	Net income ratio (%)	0.23
	EPS（NTD）	0.20

1.3 2016 Business Plan

1.3.1 Business Strategy

A. Promote transformation, integrate existing resources, and continue to create value; with a consumer-centric product strategy, strengthen product positioning and differentiation to enhance competitiveness.

B. Engrain the Wangdao philosophy's core beliefs - sustainable business, value creation, and the balance of interests - into the corporate mindset.

C. Embrace new opportunities of cloud technology with Acer's Build Your Own Cloud (BYOC™) open platform and integrate with devices under the company's Internet of Beings (with intelligence) strategy.

D. Efficiently use all resources, enhance internal communication and fulfill corporate social responsibilities.

1.3.2 Goals

A. Increase shipments of high-margin products and develop new businesses.

B. Integrate cloud technology, develop new applications and services, and boost the transition to a hardware + software + services company.

C. Pursue new territories including the gaming PC market.

D. Pursue for better operating income.

1.3.3 Marketing Strategy

A. Take the consumer-centric approach in the R&D of products and services.

B. Consolidate and effectively share product development resources, and strengthen sales.

C. Cooperate with suppliers and customers to create value and pursue for sustainable operations together, in accordance with the Wangdao philosophy that promotes the balance of all interests.

1.3.4 Future Strategy

A. Enhance the added value of key products and brand positioning.

B. Develop innovative products based on the integration of hardware, software, services, and cloud technology.

C. Uphold corporate social responsibilities, realize the sustainable business mindset, and accumulate long-term value for the company.

1.3.5 Impact on Company Due to Competition, Governmental Regulations and Overall Macro Market

A. In the Internet of Things (IoT), the ICT industry is shifting toward a cross-platform cloud integrated model, prompting the need for cloud service providers to find allies in a variety of fields to develop new services.

B. Understanding of consumers' preferences and needs is essential to the new hardware, software and services of the ICT industry.

C. Product strategy and product mix need to adapt quickly to the constant changing market needs and trends.

2

Company In General

2.1 Brief Account of the Company

2.1.1 Founded: August 1, 1976

1976 – 1986

- Commercialized microprocessor technology.

1987 – 2000

- Created the Acer brand name and went global.

2001 – 2007

- Transformed from manufacturing to a marketing and sales company.

2008 – 2013

- Enhanced worldwide presence with a new multi-brand strategy.

2014 – Beyond

- Transforming into a hardware + software + services company.

1976

- Acer was founded under the name Multitech, focusing on trade and product design.

1978

- Established the Microprocessor Training Centre, training 3,000 engineers for Taiwan's information industry.

1979

- Designed Taiwan's first mass-produced computer for export.

1981

- Acer manufacturing operations were established in the Hsinchu Science-based Industrial Park, Taiwan.
- MicroProfessor-I debuted as Acer's first branded product.

1982

- MicroProfessor-II was unveiled as Taiwan's first 8-bit home computer.

1983

- First company to promote 16-bit PC products in Taiwan.

1984

- Acer Peripherals, Inc. (now BenQ Corp.) and Multiventure Investments, Inc. were established.

1985

- AcerLand, Taiwan's first and largest franchised computer retail chain was founded.

1986

- Beat IBM with 32-bit PCs.

1987

- The Acer name was created.

1988

- Acer Inc. launched IPO.

1989

- TI-Acer DRAM joint venture with Texas Instruments was formed.

1991

- Introduced ChipUp™ technology – world's first 386-to-486 single-chip CPU upgrade solution.

1992

- Created the world's first 386SX-33 chipset.
- Stan Shih introduced the Smiling Curve concept.

1993

- Developed a 64-bit performance-enhanced I/O and CPU architecture to link MIPS RISC CPUs with Microsoft® Windows® NT.

1994

- Introduced the world's first dual Intel® Pentium® PC.

1995

- The popular Aspire multimedia PC brought Acer closer to the consumer electronics market.

1996

- Announced its commitment to providing fresh technology to be enjoyed by everyone, everywhere.

1998

- As official IT Sponsor of the 13th Asian Games in Bangkok, Acer introduced the world's first PC-based management system for a major international sporting event.

1999

- Aspire Academy was set up in Aspire Park to help managers of Asian firms and MNCs with offices in Asia to improve their organizational and leadership effectiveness.

2000

- As part of Acer's latest re-engineering, Acer split off its OEM business unit to create Wistron Corp., an independent design and IT manufacturing company.

2001

- Adopted a new corporate identity to reflect the company's commitment to enhancing people's lives through technology.

2002

- The Product Value Labs were inaugurated to enhance Acer's customer-centric focus, and integrated technologies that add value to customers' lives.
- TravelMate C100 was the first convertible Tablet PC available in the worldwide market.

2004

- Launched a new Folio design for notebooks, featuring pure functional simplicity, smooth curves and subtle elegance.
- BusinessWeek selected Stan Shih as one of the "25 Stars of Asia."
- Acer Founder Stan Shih retired from the Group.

2005

- J.T. Wang assumed the position of Chairman and Chief Executive Officer, while Gianfranco Lanci stepped into the role of President of Acer Inc.
- Launched Ferrari 4000, the first carbon-fiber notebook available in the worldwide market.
- A series of Empowering Technology products were unveiled.
- Became the worldwide No. 4 vendor for Total PCs and notebooks.
- Became the No. 1 brand in EMEA and Western Europe for notebooks.

2006

- First-to-market with a full line of Intel® Centrino® Duo mobile technology notebooks.
- Became a Sponsor of Scuderia Ferrari.
- Celebrated its 30th anniversary.
- Acer AT3705-MGW LCD TV became the world's first digital TV to pass Intel® Viiv™ technology verification.
- Became the No. 3 notebook and No. 4 desktop brand worldwide.

2007

- Acer readies for Windows Vista™ with full range of Vista-certified LCD monitors.
- Set the trend in product design with new Aspire Gemstone-design consumer notebooks.
- Completed the merger of Gateway, Inc.
- Announced its joining as an Olympic Worldwide Partner for the Winter Olympics in Vancouver 2010 and Summer Olympics in London 2012.
- Became the No. 2 notebook and No. 3 desktop PC vendor worldwide.

2008

- Announced the acquisition of E-ten and plan to enter the smart handheld market.
- Launched the new Aspire Gemstone Blue notebooks, the first to feature full HD widescreen 18.4" and 16" LCDs, Blue-Ray Disc™ drive, and latest generation Dolby® Surround sound.
- Aspire One was launched as Acer's first mobile internet device, and won the Japan Good Design award for quality design.
- Ranked No. 3 for Total PCs and No. 2 for notebooks worldwide.

2009

- Launched the Aspire Timeline notebooks – thin and light with all-day battery life.
- BusinessWeek named Acer among the "10 Hottest Tech Company of 2009."
- Voted Reader's Digest gold-medal Computer TrustedBrand in Asia for the 11th consecutive year.
- Announced its first netbook based on the Android operating system.
- Taiwan's Ministry of Economic Affairs presented Gianfranco Lanci with an Economic Medal for outstanding leadership, and building the Acer brand name worldwide.
- Launched the high-end and stylish Liquid smartphones.
- Became the world No. 2 company in Total PCs.

2010

- Launched the green Aspire Timeline notebook - free from PVC and BFR materials.
- Provided and managed computing facilities to ensure the smooth running of sports events at the Vancouver 2010 Olympic Winter Games.
- Chairman J.T. Wang named in TIME magazine's annual list of 100 most influential people in the world.
- Acer launched clear.fi, a new entertainment experience allowing real-time sharing and playing of multi-format content over multi-platform devices.
- Integrated Founder Tech's PC sales team and channels in the China market.
- Successfully issued US$500 million in convertible bonds.
- Announced expansion to Chongqing in western China, creating a new global IT manufacturing center and Acer's second China base.
- Hosted the third annual CSR Forum with the ultimate goal of building a sustainable supply chain.

2011

- Acer products begin shipping from China's Chongqing production base.
- June Acer EMEA cleared high channel inventory with one-time US$150 million write-off.
- Sir Julian Horn-Smith and Dr. F.C. Tseng elected as independent board directors.
- Acquired US-based iGware with US$320 million for mid- to long-term investment in cloud technology.
- Debuted first Ultrabook™: Aspire S3.
- Announced key management reshuffle - Scott Lin to concurrently head China operations, and Oliver Ahrens to front EMEA operations.

2012

- Unveiled world's thinnest Ultrabook™: Aspire S5.
- Presented Aspire Timeline Ultra Series, extending mainstream notebook features with Ultrabook™ trend.
- Announced AcerCloud application results.
- Recruited Eva Ho as new Chief Financial Officer.
- Introduced new Full HD tablet, the ICONIA TAB A700.
- Strengthened executives' remuneration management system in order to enhance corporate governance and maintain shareholders' long-term interests.
- Supplied all computing equipment for the London 2012 Olympic Games; successfully completed the mission and earned high appraisals from the assembly.
- Appointed Michael Birkin as Chief Marketing Officer to strengthen Acer as a marketing-oriented company.
- Launched a full range of Windows 8 touch products for the most complete user experience.
- Revitalized the global website — Acer.com — to provide web surfers with a highly intuitive and excellent user experience.
- Aspire S7 named as CES Innovations 2013 Design and Engineering Award Honoree.
- Appointed Tiffany Huang as president of Personal Computer Global Operations.

2013

- Extended AcerCloud to support top three operating systems, for easier file and media sharing among Windows, iOS and Android devices.
- Recognized NTD3.5B (US$120.1M) in intangible asset impairment based on the Generally Accepted Accounting Principle (GAAP) and thorough assessment.
- Launched B6 and V6 series commercial LED-backlit monitors made with post-consumer recycled plastic and compliance with EPEAT standards for environmental protection.
- Held the fifth annual Corporate Social Responsibility Forum to continue exploring and leading the global trend of sustainable management.
- Launched the full-featured one-handed tablet – Iconia A1.
- Proposed the second issuance of NTD6B in unsecured convertible corporate bonds.
- Enhanced the Aspire S7 flagship Ultrabook™.
- Announced Liquid S2 6-inch smartphone with 4K recording.
- Reported the non-cash related intangible asset impairment of NTD9.94B (US$335.12M) in Q3'13 financial results.
- Set up a Transformation Committee with Stan Shih as Chairman and Acer co-founder George Huang as executive secretary.
- Elected Stan Shih as New Chairman and Interim Corporate President as J.T. Wang and Jim Wong stepped down.
- Sold 300,000 smartphones through partnership with Thailand's largest telecom operator.
- Announced Build Your Own Cloud (BYOC™) and the transition to a hardware + software + services company.
- Appointed Jason Chen as Corporate President and CEO effective January 1st 2014.

2014

- Invested 7 million shares in PChome Group's third-party payment business.
- Wrote off additional NTD5.78B loss of 2013 in related costs to speed up corporate transformation.
- Announced first tier organization and personnel adjustments for end-to-end management and precise operating mechanism.
- South East Asia and Latin America markets began selling the Liquid Z5 smartphone.
- Appointed Nancy Hu as Chief Financial Officer.
- Unveiled the new visual identity for Acer's BYOC™ (Build Your Own Cloud) brand.
- Delivered the world's first 4k2k display, XB280K, for smoother and responsive gaming.
- Premiered BYOC solutions at the Experience Center Opening in Taiwan.
- Debuted the Liquid Leap as its first wearable device.
- Signed MOU with MediaTek for cloud and wearable technologies.
- The new Board of Directors elected George Huang as Acer Chairman.
- Announced new pan-Asia Pacific organization with Oliver Ahrens as president.
- Acer Chromebooks led the way in the US consumer market in Q1.
- Acer monitors topped the US retail market in 1H 2014.
- Expanded the Liquid smartphone sales in Pan America.
- Acer's Chrome devices expanded to include the Chromebox desktop PC.
- Took the No. 1 position in Philippines in total PC, portable PC and projector shipments.
- Debuted on Dow Jones Sustainability Emerging Markets Index and listed on MSCI Global Sustainability Indexes for environmental, social and governance.
- Won three Good Design awards for Japan with the Liquid Jade smartphone, and the Aspire R13 convertible and Aspire V Nitro series notebooks.
- Hosted first BYOC forum to discuss IoT opportunities and trends.
- Acer partners with Octon for BYOC solutions in the telecommunication field.
- Appointed Jerry Kao as president of Notebook Business Group.
- Aspire R13 convertible notebook named as 2014 CES Innovation Awards Honoree.
- Announced Emmanuel Fromont to lead EMEA operations and Sumit Agnihotry to lead Pan America operations.

2015

- Launched the industry's first Chromebook with 15.6-inch display.
- Acer smartphone debuted in Japan.
- Online ticketing system demonstrated Acer's hardware + software + services capabilities.
- Completed the second public offering of 300 million common shares to raise NT$5.4 billion (US$180 million) in funds.
- Unveiled two new cloud application solutions for the era of computing and communication (C&C).
- Acer BYOC™ provided runner tracking service to Taiwan's First IAAF certified marathon.
- Reported 2014 full year results: consolidated revenues NT$329.68B (US$10.39B), operating income NT$2.71B (US$85.37M), net income NT$1.79B (US$56.46M).
- Announced industry's first Chromebase all-in-one desktop with touch display.
- Received five Red Dot awards for product design excellence.
- Revealed new back-to-school product range at the inaugural "next@acer" event in New York.
- Reported Q1 2015 results: consolidated revenues NT$67.95B (US$2.16B), operating income NT$304M (US$9.68M), net income NT$173M (US$5.52M).
- Announced Dr. RC Chang, CTO, to lead the Design Center as Jackson Lin retires.
- Reported Q2 2015 results: consolidated revenues NT$60.2B (US$1.94B), operating income of NT$890M (US$28.64M), net income NT$2M (US$79,000).
- Announced the availability of the Predator gaming product line at the next@acer event at IFA Berlin.
- Acquired renowned GPS cycling computer brand, Xplova, to expand reach in the sports industry.
- Launched the CloudProfessor IoT training kit.
- Listed on Dow Jones Sustainability Indices for second consecutive year.
- Gregg Prendergast, co-President of Acer Pan America continues to lead the Pan America team, as President Sumit Agnihotry passes away.
- Won five Japanese Good Design Awards.
- Acer subsidiary MPS Energy and Studio X-Gene announced new electric all-terrain vehicle.
- Announced third BYOC global operations with the establishment of Acer Cloud Technology (Chongqing) Limited in China, with the other two located in Taipei and Silicon Valley.
- Reported Q3 2015 Results: Consolidated revenues NT$67.24B (US$2.03B) and net income NT$191M (US$5.76M).
- Named as CES 2016 Innovations Award Honoree for three innovative products.
- President of Pan Asia Pacific Operations, Oliver Ahrens, stepped down.

- Continued to sponsor Taiwan's Sole IAAF certified marathon with new services.
- Joined the American Business Act on Climate Pledge; Acer pledged to reduce global greenhouse gas emissions by 60 percent by 2020 and to continue purchasing100% green power for its U.S. operations.
- Announced the availability of Acer smartphones to Ecuador, reaching 60 countries around the world.

2016

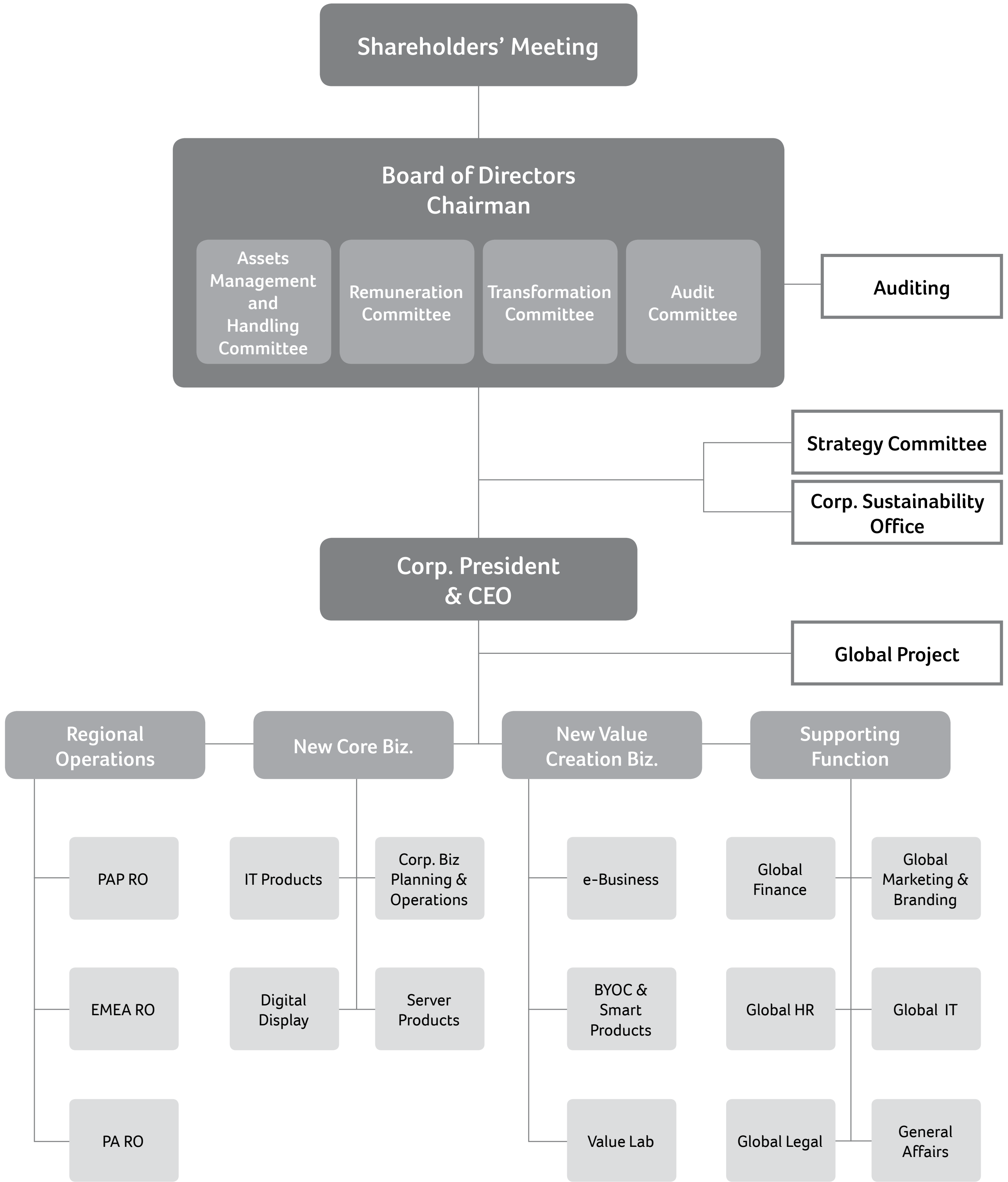
- Announced the Liquid Jade Primo smartphone running on Windows 10 Mobile providing ultimate productivity for professionals with a PC-like experience when the smartphone is connected with a secondary display.
- Won fourteen Taiwan Excellence Awards.
- Victorinox Swiss Army and Acer Infuse Smart Technology into Lifestyle Products.
- Showcased BYOC Solutions for connected car, business, education, and smart home at Mobile World Congress 2016.
- Acer monitors ranked No. 1 in North American retail market in 2015.
- Scored five iF Design Awards in 2016.
- BYOC received ISO 27001 certification and passed HIPAA audit.
- Reported 2015 full year results: consolidated revenues NT$263.78B (US$7.98B), operating income NT$939M (US$28.4M), net income NT$604M (US$18.3M), gross profit margin 9.4%.
- Created New Core Business and New Value Creation Business to accelerate corporate transformation.
- Acer announced strategic partnership and equity investment in grandPad®.
- Debuted world's first Chromebook with 14-hour battery life.
- Unveiled 2016 back-to-school portfolio at the global press conference in New York, including the industry's first cycling computer with intelligent video recording applications as part of new businesses expansion.
- Introduced the "BeingWare" vertical business models with intelligent connected devices, which illustrate the vision of New New Acer in integrating hardware, intelligent software, and cloud services to create real value.

3

Corporate Governance Principles

3.1 Organization of the Company

3.1.1 Department Functions



Acer Incorporated 2015 Annual Report
Corporate Governance Principles

3.1.2 Corporate Functions

Strategy Committee
- Long-term strategic initiatives and new business development

Auditor
- Evaluation, planning and improvement of Acer's internal operations

Corp. Sustainability Office
- Strategic planning and management in corporate sustainability with the aim of fulfilling corporate social responsibilities

Global Projects
- Global key project planning and execution

Pan Asia Pacific Operations
- Sales, marketing and after-sales service of Acer's IT products in Taiwan, China and Asia Pacific

EMEA Operations
- Sales, marketing and after-sales service of Acer's IT products in Europe, Middle East and Africa

Pan America Operations
- Sales, marketing and after-sales service of Acer's IT products in Pan America

Digital Display Business
- Managing global monitors, and projectors product lines business

IT Products Business
- Managing global notebook, desktops, Tablet, All-in-One products line business

e-Enabling Services Business
- ICT solutions and services provider, including information security management, mobility applications, software systems development, systems integration, system operation services, value-added business solutions, and Internet data center services

BYOC & Smart Products Business
- BYOC (Build Your Own Cloud) Services and smartphone, smart wearables products global business development and management

Server Products Business
- Managing server products line business

Corporate Business Planning & Operations
- Managing the strategic planning and operations of all IT business back-end functions

Value Lab
- Research and development, design and devote to the technology for new value creation business

Global IT
- Corporate information infrastructure and information systems management

Global Marketing & Branding
- Corporate brand management, consolidation and implementation of global marketing strategies, and public relations

Global Finance
- Corporate finance, investment, treasury, credit and risk control and accounting services management

Global Human Resources
- Human resources and organizational strategies

Global Legal
- Corporate and legal affairs, intellectual property management

General Affairs
- General affairs, transportation services, office facilities management

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Corporate Governance Principles

3.2 Information Regarding Board of Directors and Key Managers

(1) Board of Directors (April 26, 2016)

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Chairman	George Huang	06/18/2014	3	8,261,844	0.27	9,267,642	0.30		1,987,819	0.06	Bachelor	1. Independent Director, PChome Online Inc. 2. Independent Director, Bio Net Corp. 3. Independent Director, Taiwan Taxi Co., LTD. 4. Independent Supervisor, InterServ International Inc. 5. Supervisor, Motech Industries Inc. 6. Supervisor, Les Enphants Co., Ltd. 7. Supervisor, Apacer Technology Inc. 8. Other (Note)	None	-	-
Director	Stan Shih	06/18/2014	3	74,592,499	2.41	81,024,395	2.63		18,839,229	0.61	Master	1. Independent Director, TSMC 2. Chairman, iD Branding Venture Inc. 3. Director, Wistron 4. Director, Nan Shan Life Insurance Co., ltd. 5. Director, Qisda 6. Director, Hung Rouan Investment Corp. 7. Director, Idealive International Co. Ltd. 8. Director, Egis Technology Inc. 9. Director, iD Branding Managerment Inc. 10. Director, iD Innovation Inc. 11. Director, Dragon Investment Co., Ltd.. 12. Director, DIGITIMES Inc.	Supervisor President	Carolyn Yeh Maverick Shih	Wife Son
Director	Jason Chen	06/18/2014	3	0	0	2,555,480	0.08		0	0	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Other (Note)	None	-	-
Director	Hsin-I Lin	06/18/2014	3	0	0	0	0		0	0	Bachelor	1. Director, Yulon Motor Co., Ltd. 2. Director,China Motor Corp. 3. Independent Director, E.Sun Financial Holdings Co., Ltd. 4. Independent Director, Sinyi Realty Inc. 5. Chairman, Guang Yuan Investment Co.,Ltd.	None	-	-
Director	Hung Rouan Investment Corp.	06/18/2014	3	67,799,202	2.19	73,629,933	2.39		0	0	-	-	None	-	-

Acer Incorporated 2015 Annual Report
Corporate Governance Principles

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present			Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relation-ship
Legal Represen-tative of Director	Carolyn Yeh (Representa-tive of Hung Rouan Invest-ment Corp.)	06/18/2014	3	17,493,157	0.56	18,839,229	0.61		81,024,395	2.63	Bachelor	1. Chairman, iDSoftcapotal Inc. 2. Chairman, Hung Rouan Investment Corp. 3. Director, IP Fund Six Co., Ltd. 4. Director, iD Innovation Inc. 5. Supervisor, Idealive International Co. Ltd. 6. Supervisor, ID Reengineering Fund Inc. 7. Supervisor, iD Branding Managerment Inc. 8. Other (Note)	Director President	Stan Shih Maver-ick Shih	Husband Son
Director	Smart Capital Corp.	06/18/2014	3	11,260	0	12,228	0		0	0	-	-	None	-	-
Legal Represen-tative of Director	Philip Peng (Representa-tive of Smart Capital Corp.)	06/18/2014	3	1,003,469	0.03	1,349,469	0.04		258,007	0.01	Master	1. Independent Director, AU Optronics Corp. 2. Chairman, Smart Capital Corp. 3. Director and President, iDSoftcapotal Inc. 4. Director, Wistron NeWeb Corporation 5. Director, Aopen Inc. 6. Director, Wistron Information & Services Corp. 7. Director, iD Branding Managerment Inc. 8. Director, ID Reengineering Fund Inc. 9. Supervisor, iD Innovation Inc. 10. Others (Note)	None	-	-
Independent Director	F.C. Tseng	06/18/2014	3	0	0	0	0		0	0	Ph. D.	1. Chairman, TSMC China Company Ltd. 2. Chairman, Global Unichip Corp. 3. Vice Chairman, Vanguard International Semiconductor Corp.	None	-	-
Independent Director	Ji-Ren Lee	06/18/2014	3	0	0	0	0		0	0	Ph. D	1. Professor, Department of International Business,National Taiwan University 2. Independent Director, E.Sun Financial Hold-ings Co., Ltd. 3. Independent Director, Wowprime Corp. 4. Chairman of Compensation Committee , Nien Hsing Textile Co., Ltd. 5. Member of Remuneration Committee, MediaTek Inc.	None	-	-

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Corporate Governance Principles

Title	Name	Date of Election	Term	Shares Held When Elected		Shares Held at Present		Shares Held by Spouse & Minors		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Managerial Position		
				Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relation-ship
Independent Director	Chin-Cheng Wu	06/18/2014	3	0	0	0	0	0	0	Master	1. VP & Technical Fellow, Ericsson 2. Independent Director, Vello Systems 3. Consultant of Innovation and Prospective Technology Project, Institute for Information Industry 4. Honorary Chairman, New England Chinese Information and Networking Association	None	-	-

Note: Appointed by Company to be Director and/or President of certain subsidiaries.

Major Institutional Shareholders (April 26, 2016)

Name of Acer's Institutional Shareholders	Major Shareholders of Acer's Institutional Shareholders	Percentage of Shares
Hung Rouan Investment Corp.	Carolyn Yeh	20.13%
	Shih Hsuen Rouan Charity Foundation	1.60%
	Shih Hsuen Rouan	17.25%
	Shih Hsuen Huei	26.09%
	Shih Hsuen Lin	17.16%
	Shih Fang Cheng	8.93%
	Yeh Ting Yu	8.84%
Smart Capital Corp.	Philip Peng	50%
	Jill Ho	25%
	Fan Peng	25%

Acer Incorporated 2015 Annual Report
Corporate Governance Principles

Professional qualifications and independence analysis of directors and supervisors

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience				Independence Criteria										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company		1	2	3	4	5	6	7	8	9	10	
George Huang			✔					✔	✔		✔	✔	✔	✔	3
Stan Shih			✔						✔				✔	✔	1
Jason Chen			✔				✔	✔	✔	✔	✔	✔	✔	✔	0
Hsin-I Lin			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2
Hung Rouan Investment Corp.		Not applicable.													Not applicable.
Carolyn Yeh (Representative of Hung Rouan Investment Corp.)			✔		✔								✔	✔	0
Smart Capital Corp.		Not applicable.													Not applicable.
Smart Capital Corp. Philip Peng (Representative of Smart Capital Corp.)			✔		✔		✔	✔	✔		✔	✔	✔	✔	1
F.C. Tseng			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	0
Ji-Ren Lee	✔		✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	2
Chin-Cheng Wu			✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	1

Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

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Corporate Governance Principles

(2) Key Managers (April 26, 2016)

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors		Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage	Number	Percentage			Title	Name	Relationship
Corp. President & CEO	Jason Chen	01/01/2014	2,555,480	0.08	0	0	108,600	0	Master	1. Chairman, Mu-Jin Investment Co., Ltd. 2. Others (Note3)	None	-	-
Corp.VP & President	Emmanuel Fromont	01/01/2011	0	0	0	0	0	0	Bachelor	(Note3)	None	-	-
President	Ben Wan	05/16/2002	365,388	0.01	0	0	0	0	Master	(Note3)	None	-	-
President	ST Liew	01/01/2012	74,000	0	0	0	0	0	Bachelor	-	None	-	-
President	Tiffany Huang	01/01/2013	214,817	0.01	90	0	0	0	Bachelor	-	None	-	-
President	Maverick Shih	01/24/2014	1,747,733	0.05	1,172,878	0.04	0	0	Ph. D.	(Note3)	None	-	-
President	Towny Huang	05/01/2014	129,954	0	0	0	0	0	Master	-	None	-	-
President	Jerry Kao	12/01/2014	206,375	0.01	0	0	0	0	Master	-	None	-	-
President (Note1)	Gregg Prendergast	09/01/2015	0	0	0	0	0	0	Bachelor	-	None	-	-
President (Note1)	Andrew Hou	03/25/2016	30,000	0	0	0	0	0	Master	-	None	-	-
President (Note1)	Victor Chien	03/25/2016	0	0	0	0	0	0	Bachelor	-	None	-	-
Vice President	Maarten Schellekens	07/01/2014	0	0	0	0	0	0	Bachelor	-	None	-	-
CTO (Note1)	RC Chang	09/01/2015	66,135	0	0	0	0	0	Ph. D.	-	None	-	-
Corp. CFO	Nancy Hu	05/01/2014	460,000	0.01	0	0	0	0	Master	Chairman, Blue Rock Co., Limited Taiwan Consultant, Chinatrust Commercial Bank Director, NHL CPA Limited, H, Director, Cal-Comp Biotech Co., Limited Director, Brotherelephants Co., Limited Non-executive Director, SMI Culture Group Holdings Limited Independent Director, Carnival Group International Holdings Limited Independent Director, Enterprise Development Holdings Limited Independent Director, United Pacific Industries Limited Independent Director,Arich Enterprise Co., Limited Consultant, Beautimode Co., Limited Consultant Director, New Heritage Holdings Limited	None	-	-
Accounting Officer (Note2)	Grace Lung	05/01/2014	201,620	0.01	0	0	0	0	Bachelor	(Note3)	None	-	-
Sr. Corp.VP & President (Note2)	Oliver Ahrens	04/01/2009	0	0	0	0	0	0	Bachelor	-	None	-	-

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Corporate Governance Principles

Title	Name	Date of Accession	Shares Held Directly		Shares Held by Spouse & Minors			Shares Held by the Other's		Education	Current Position(s) in Other Companies	Spouse or Immediate Family Holding Position as President or Vice President		
			Number	Percentage	Number	Percentage		Number	Percentage			Title	Name	Relationship
CTO and President (Note2)	Jackson Lin	02/16/2004	0	0	0	0		0	0	Master	-	None	-	-
President (Note2)	Simon Hwang	01/24/2014	0	0	0	0		0	0	Bachelor	-	None	-	-
President (Note2)	Sumit Agnihotry	01/01/2015	0	0	0	0		0	0	Bachelor	-	None	-	-
President (Note2)	YH Zhang	05/01/2014	0	0	0	0		0	0	Master	-	None	-	-
Vice President (Note2)	Wayne Ma	10/24/2012	0	0	0	0		0	0	Bachelor	-	None	-	-

Note 1: Gregg Prendergast assumed position on 2015.09.01
Andrew Hou assumed position on 2016.03.25
Victor Chien assumed position on 2016.03.25
RC Chang assumed position on 2015.09.01

Note 2: Oliver Ahrens released on 2015.11.11
Jackson Lin released on 2015.06.30
Simon Hwang released on 2015.09.01
Sumit Agnihotry released on 2015.09.09
YH Zhang released on 2015.11.11
Wayne Ma released on 2015.05.31

Note 3: Appointed by Company to be Director and/or President of certain subsidiaries.

Note 4: For those who resigned or be released from their positions, whose shareholdings are shown as 0.

3.3 Corporate Governance Status

3.3.1 Meetings Held by the Board of Directors

The Board of Directors held six meetings from Jan. 1, 2015 to May 12, 2016. The record of the Directors' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Chairman	George Huang	6	0	100%	
Director	Stan Shih	6	0	100%	
Director	Jason Chen	6	0	100%	
Director	Hsin-I Lin	5	1	83%	
Director	Carolyn Yeh (Representative of Hung Rouan Investment Corp.)	6	0	100%	
Director	Philip Peng (Representative of Smart Capital Corp.)	6	0	100%	
Independent Director	F.C. Tseng	5	1	83%	
Independent Director	Ji-Ren Lee	6	0	100%	
Independent Director	Chin-Cheng Wu	5	1	83%	

3.3.2 Operational Situation of the Audit Committee

The Audit Committee held six meetings from Jan. 1, 2015 to May 12, 2016. The record of the Members' attendances is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	F.C. Tseng	5	1	83%	
Independent Director	Ji-Ren Lee	6	0	100%	
Independent Director	Chin-Cheng Wu	5	1	83%	

3.3.3 Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Has the Company enacted corporate governance best-practice principles according to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	✔		Acer enacted Corporate Governance Best-Practice Principles according to Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.	No discrepancy
2. The ownership structure and shareholders' rights				
(1) Whether the company has internal policy for handling of the shareholders' proposals and disputes?	✔		The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	No discrepancy
(2) Information held on the identities of major shareholders and their ultimate controlling persons?	✔		The Company holds information on the identities of major shareholders and their ultimate controlling persons.	No discrepancy
(3) The establishment of risk control mechanism and firewalls with affiliates?	✔		The company has established the appropriate risk control mechanism and firewalls according to internal rules, such as rules of supervision over subsidiaries, rules governing endorsement and guarantee, and the rules governing acquisitions and dispositions of assets, etc.	No discrepancy
(4) Internal policy preventing insider trading?	✔		Acer enacted Regulations on Insider Trading to prevent any illegal activities in terms of insider trading.	No discrepancy
3. The composition and duties of board of directors				
(1) Has the composition of the board of directors determined by taking diversity into consideration and formulating an appropriate policy on diversity?	✔		Although Acer has not yet adopted a policy indicating criteria of diversity and complementarity of skills for director candidates, but diversity has always been one of the crucial factors for recommending new director candidates.	No discrepancy
(2) Besides audit committee and compensation committee, is the Company willing to set up other functional committees?	✔		Acer has set up Audit Committee, Compensation Committee, Transformation Committee, and Assets Management and Handling Committee. Acer is willing to set up other functional committees depends on practical needs.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(3) Has the Company formulated rules and procedures for board of directors' performance assessments, and that each year it conduct regularly scheduled performance assessments of the board of directors?	✔		The Company has formulated rules and procedures for board of directors' performance assessments, and that each year we conduct regularly scheduled performance assessments of the board of directors.	No discrepancy
(4) Does the Company evaluate the independence and suitability of the CPA engaged by the company regularly?	✔		The annual evaluation by the CPA is one of the main duties of the Audit Committee, and being reported to the Board of Directors.	No discrepancy
4. Has the Company established a channel for supervisors to communicate with the employees, shareholders, and stakeholders, designated a stakeholders section on its website to respond those advises appropriately?	✔		The Company has established the appropriate communication channels with suppliers, buyers, banks, investors and other stakeholders, including a stakeholders section on our website.	No discrepancy
5. Has the Company engaged a professional shareholder services agent to handle shareholders meeting matters?		✔	The Company has designated the Office of Shareholders' Affairs to handle the shareholders' proposal and disputes.	The Office of Shareholders' Affairs handles the shareholders' proposal and disputes.
6. The disclosure of information				
(1) Has the Company set up website to disclose information on finance, operations and corporate governance?	✔		The Company has set up Acer Group website (http://www.acer-group.com) containing the information regarding its finance and operations. The Company also discloses the enforcement of corporate governance in the shareholders' meeting and other institutional investor meetings.	No discrepancy
(2) Others means of disclosing information	✔		The Company has one chief speaker, one acting speakers and a designated team to be responsible for gathering and disclosing relevant information.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
7. Other important information that may facilitate better understanding of the status of corporate governance (e.g. human rights, employee rights, investors relationships, supplier relationships, interested parties' rights, D&O liabilities insurance, etc.):	✔		• The Company has actively participated in community or charitable activities. • The Company has set up an exclusive web site for the new labor pension system containing information for employees regarding the laws and regulations, and to offer assistance. • In additional to the training courses required by authorities, the Company also held related training courses for members of the Board. • The Company has clearly set forth in the rules for the proceedings of Board meetings, that a director shall voluntarily abstain from voting on a proposal involved with his/her own interests. • The Chairman of the Company does not act as the President, and both of them are not spouses or relatives within one degree of kinship. • The Company has purchased liability insurance for directors and officers. • The relevant information has been disclosed on Acer Inc.'s official website (http://www.acer-group.com).	No discrepancy
8. Has the Company regularly scheduled performance assessments or engaged outside professional institutions to conduct board of directors' performance assessments?	✔		The "2014 Acer BOD (Board of Directors) performance evaluation questionnaire" has been conducted from August 1, 2015 to August 31, 2015 anonymously on-line. The questionnaire invited all BOD members to self-evaluate the performance of Acer BOD on areas like Board effectiveness, Strategic Oversight & Risk Control, etc. At the end of the questionnaire, all BOD members are invited to give comments on "how to improve BOD performance in the coming year". The consolidated feedback result of the questionnaire has been reported in the Remuneration Committee meeting and BOD meeting, and take related improvement action such as increasing the independent directors so to ensure the operation of BOD meeting is more objective and comply with Corp. governance.	No discrepancy

3.3.4 Code of Ethics and Business Conduct

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Are the Company's guidelines on corporate conduct and ethics provided in internal policies and disclosed publicly? Have the Board of Directors and the management team demonstrated their commitments to implement the policies?	✔		Integrity is the most important core value of Acer's culture. The Board of Directors and the management team are dedicated to enforcing the Company's guideline on corporate conduct and ethics.	No discrepancy
(2) Has the company established relevant policies for preventing any unethical conduct? Are the implementation of the relevant procedures, guidelines and training mechanism provided in the policies?	✔		It is Acer Group's policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business.	No discrepancy
(3) Has the company establishes appropriate measures against the acts listed in Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies or other higher potential unethical conducts in the relevant policies?	✔		In order to prevent any unethical conduct, we have enacted several policies and guidelines, such as Standards of Business Conduct, Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, and Rules Governing Management of Personal Data, etc.	No discrepancy
2. Corporate Conduct and Ethics Compliance Practice				
(1) Has the company conducted investigation regarding unethical records with whomever the Company doing business with, and included business conduct and ethics related clauses in the business contracts.	✔		In addition to sending emails to our customers and suppliers to inform them about our ethical policy, in order to further enhance our commitment to ethical practice, we also request our contractors, vendors, suppliers and service providers to sign a letter of undertaking to demand compliance with our ethical policy.	No discrepancy

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Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
(2) Has the Company set up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics?	✔		To perform Board of Directors' duty of supervision and to strengthen the management mechanism, Acer establishes the Audit Committee on June 18, 2014, which be composed of all independent directors, at least one (1) of whom shall have accounting or financial expertise.	No discrepancy
(3) Has the Company established policies to prevent conflicts of interest and provided appropriate communication and complaint channels?	✔		We have enacted "Acer Group Standards of Business Conduct" to prevent conflicts of interest and provide whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm).	No discrepancy
(4) Has the Company established effective accounting and internal control systems for the implementation of policies, and the internal or external auditors audit such execution and compliance.	✔		Acer's Internal Control Systems are management processes designed by the managers, passed by the board of directors, and implemented by the board of directors, managers, and other employees for purpose of promoting sound operations of the Company. Our financial reports are also audited by external auditors regularly.	No discrepancy
(5) Does the Company provide training regarding ethic compliance practice regularly?	✔		It is Acer Group policy to fully comply with all laws and regulations governing our people and operations around the world and to conform to the highest legal and ethical standards. Our Standards of Business Conduct (SBC) are formulated to guide the way Acer Group employees behave with each other, our customers, business partners, our shareholders and the communities where Acer Group does business. Within their first month, new staff are put through training to better understand the company's Standards of Business Conduct (including instruction on labor rights, freedom of expression, sexual harassment prevention, and corruption prevention), thus helping them become fully integrated parts of the team.	No discrepancy

Items	Enforcement Status			Discrepancy between the corporate governance principles implemented by the Company and the Principles, and the reason for the discrepancy
	Yes	No	Summary	
3. Channels for reporting any ethical irregularities				
(1) Has the Company established policy and channels in terms of reporting ethical irregularities and designated competent personnel to handle such matters?	✔		In order to enhance corporate governance, Acer provides a whistleblower mailbox on our website (http://www.acer-group.com/public/Investor_Relations/corporate.htm) for people to report any threats of involvement of fraudulence, corruption, violation of Acer's Standards of Business Conduct, any illegal conducts or conducts violated corporate governance by Acer employee. The audit office, which functions directly under the board of directors, will handle the report exclusively.	No discrepancy
(2) Has the Company established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities?	✔		Acer has established policy and security mechanisms regarding the procedures for responding to the reports of ethical irregularities.	No discrepancy
(3) Has the Company established measures to protect the identity of the informer?	✔		The Company has taking measures to protect the identity of the informer.	No discrepancy
4. Information Disclosure				
(1) Has the Company published information relating to the Company's corporate conduct and ethics on its website or Market Observation Post System?	✔		The Company has published information relating to the Company's corporate conduct and ethics on our website (www.acer-group.com) and Market Observation Post System.	No discrepancy
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation: No discrepancy				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., promote and demonstrate the company's commitment to ethical standard and provide training to its business partners; review the company's corporate conduct and ethics policy). For details on the implementation of Acer's Corporate Conduct and Ethics, please refer to "Acer's Corporate Governance Best-Practice Principles ".				

3.3.5 The Establishment and Enforcement of Remuneration Committee

The Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines" and "Executive Remuneration Guideline" are proposed by Remuneration Committee, effective upon the approval of Acer Inc. Board of Directors. The compensation of the Board of Directors is defined in "Acer's Articles of Incorporation". Where this Company has earnings at the end of the fiscal year after making up the losses of previous years. Then, if any balance left over, no more than 0.8% of profits shall be distributed as profit sharing for the Board of Directors and supervisors according to Acer Inc. "Board of Directors and Supervisors Remuneration Guidelines". Employee Director are not entitled to receive Director profit-sharing.

The remuneration of Acer executive is governed under Acer Group "Executive remuneration guideline". The short-term incentive links to both individual and company overall team performance, while the long-term incentive links to long-term shareholders' value. The annual KPIs, which includes a portion of strategic KPIs assigned by the top management whether financial or non-financial, ensures the executive team move on the same direction to reach the strategic goal of the company. Standards of Business Conduct (SBC) is reminded and confirmed by each executive on the compensation sign back letter each year.

A. The term of Remuneration Committee: from June 18, 2014 to June 17, 2017.

Remuneration Committee held six meetings from January 1, 2015 to May 12, 2016. The record of their attendance is shown below:

Title	Name	No. of Meetings Attended	No. of Meetings Attended by Proxy	Meeting Attendance Rate(%)	Note
Independent Director	Ji-Ren Lee	6	0	100%	(Note)
Independent Director	F.C. Tseng	5	1	83%	
Independent Director	Chin-Cheng Wu	5	1	83%	

Note : Ji-Ren Lee was elected as the Chairman of Acer RemCo from June 18, 2014.

3.3.6 Status and Measures of Ethical Practice

As good corporate citizens Acer Group respect human rights, local communities and compliance with laws, environment, ethics, safety standards, regulations and social norms. Based on our core values of "Serve with honor and work with pride", we have formulated a Standards of Business Conduct (SBC) document to guide us on how we interact with each other, our customers, our business partners, our shareholders and the communities where the Acer Group does business. This is done every day in every decision and every action by each one of us. We continue to build on our reputation for trust, integrity and honesty, both internally and externally, by appreciating people, their diversities and cultures.

You are welcome to visit Acer Group website (http://www.acer-group.com) for the details of our "Standards of Business Conduct."

3.3.7 Statement of Personnel Having Licenses Associated with Financial Information Transparency from Competent Authorities

Name of Licenses	Numbers	
	Internal Auditor	Financial Officer
Certified Public Accountants (CPA)	0	3
US Certified Public Accountants (US CPA)	0	2
HK Certified Public Accountants (HK CPA)	0	1
Qualified Internal Auditor (QIA)	0	3
Certified Internal Auditor (CIA)	1	1
BS7799/ISO 27001 Lead Auditor	1	0

3.3.8 Statement of Internal Control System

Date: March 24, 2016

Based on the findings of a self-assessment, Acer Incorporated (hereinafter, the "Company") states the following with regard to its internal control system during year 2015:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and managers. The Company has established such a system aimed at providing reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations (including profitability, performance, and safe-guarding of assets), (2) reliability, timeliness, transparency, and regulatory compliance of reporting, and (3) compliance with applicable laws, regulations and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and the Company promptly takes corrective actions whenever a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission (hereinafter, the "Regulations"). The criteria adopted by the Regulations identify five constituent elements of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Each constituent element further contains several items. Please refer to the Regulations for details.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the results of the evaluation mentioned in the preceding paragraph, the Company believes that, as of December 31, 2014, its internal control system (including its supervision of subsidiaries), was effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. This Statement will be an essential content of the Company's Annual Report for the year 2015 and Prospectus, and will be publicly disclosed. Any false-hood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchanged Act.
7. This Statement has been passed by the Board of Directors in their meeting held on March 24, 2016, with 0 of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Acer Incorporated

Jason Chen
President

George Huang
Chairman of the Board of Directors

3.3.9 Resolutions of the Board of Directors' Meeting and the General Shareholders' Meeting

Resolutions of the Board of Directors' Meeting

Date	Meeting	Major Resolutions
2015.03.25	First 2015 BOD Meeting	1. To Approve the 2014 Financial Statements and Business Report 2. To Approve the Company's Statement of Internal Control System for 2014 3. To Approve the Proposal for Distribution of 2014 Retained Earnings 4. To Approve the Appointment of CPAs as Auditors of the Company 5. To Approve the Amendments to the Company's Internal Rules 6. To Convene the 2015 General Shareholders' Meeting 7. To Propose Directly or Indirectly Establishing and Investing Acer Intellectual (Chongqing) Limited (proposed) as of Acer BYOC in Mainland China. 8. To Approve Establishing a Subsidiary in Switzerland 9. To Approve the Proposal for Acer Inc. Investing MPS project 10. To Approve the Proposal for Acer SoftCapital Incorporated Investing Global Channel Resources 11. To Approve the Proposal for Acer SoftCapital Incorporated Investing ATS Advanced Telematics Systems GmbH 12. To Change the Registered Address of Acer Inc. Kaohsiung Branch 13. To Amend Clauses of Payroll Cycle of the Internal Control System. 14. Settlement of Senior Manger's Target Bonus of the Year of 2014. 15. Discussion of Senior Managers' Compensation 16. To Approve Acer Group Global Salary Increase Proposal of the Year of 2014 17. To Approve Acer Group Executive Salary Increase Proposal of the Year of 2014 18. To Approve the Renewal of the Bank Facilities 19. To Approve the Company's Corporate Guarantees 20. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters 21. To Approve Buying Back the Year 2010 Second Issuance of Unsecured Overseas Convertible Corporate Bonds
2015.05.07	Second 2015 BOD Meeting	1. To Approve the First Quarter of FY2015 Financial Statements 2. To Simplify the Investment Framework of Gateway's Subsidiaries 3. To Approve the Capital Injection of A$11 Million into Acer Computer Australia Pty Ltd Through Acer Holdings International, Inc. 4. To Approve the Capital Injection of USD 30M into AGP TECNOLOGIA EM INFORMATICA DO BRASIL LTDA through Boardwalk Capital Holdings Ltd. 5. To Approve the Proposal for MPS Set-up Project 6. To Approve the Renewal of the Bank Facilities 7. To Approve the Company's Corporate Guarantees 8. To Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters 9. The Retirement Application of the Executives 10. Proposal of Profit Bonus allocation of Year 2014 for Acer employees and Executives

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Date	Meeting	Major Resolutions
2015.08.06	Third 2015 BOD Meeting	1. To Approve the Second Quarter of FY2015 Consolidated Financial Statements 2. To Approve Simplify the Investment Framework of Brazilian Subsidiaries 3. To Approve Simplify and Reorganize the Investment Framework in EMEA 4. To Approve Strategic Investment in Subsidiaries 5. To Approve Propose to Decide Record Date of Capital Reduction through Cancellation of the Shares Repurchased in 2012 6. To Approve Propose to Decide Record Date of Capital Reduction through Cancellation by Redeeming Portion of Restricted Stock Awards ("RSA") Initially Issuance in 2014 7. To Approve Modification of the 2014 Utilization Plan of Funds Obtained Through the Sale of New Stocks 8. To Approve Strategic Investment in Subsidiaries 9. To Approve Entrust The HIB Portfolio and M&A Cases To iD SoftCapital Inc 10. To Approve To Amend The "Internal Control Procedure of Stock Affairs Unit" 11. To Approve the Renewal of the Bank Facilities 12. To Approve the Company's Corporate Guarantees 13. To Approve Report the Company's Worldwide Subsidiaries Inter-Company Loan and Related Matters 14. To Approve The Executive's Application for Retirement. 15. To Approve The Executive's Discharge 16. To Approve The Executives' Appointment 17. To Approve The Executive 2015 Target Bonus Adjustment
2015.11.05	Fourth 2015 BOD Meeting	1. To Approve the Third Quarter of FY2015 Consolidated Financial Statements 2. To Approve the Acer's Annual Audit Plan for 2016 3. To Approve the Capital Injection into Acer Computec Mexico, S.A. deC.V. ("AMEX") 4. To Approve New Business Organization and Strategy 5. To Approve Investment to Establish BYOC Subsidiary (Taiwan) 6. To Approve Investment and Capital Increase of Acer e-Enabling Service Business Inc. and Its Subsidiary 7. To Approveo Establish Wellife Inc. By Weblink International Inc., to Develop "B2C E-commerce Platform" 8. To Approve Modification of the Articles of Incorporation 9. To Approve Adoption of Procedures Governing Application of Halt and Resume Trading 10. To Approve Self-assessment for the Company's Capability of Preparing Financial Report 11. To Approve the Renewal of the Bank Facilities 12. To Approve the Company's Corporate Guarantees 13. To Approve Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 14. To Approve Discussion of the internal title system of the Executives 15. To Approve Proposal of global merit increase rate of 2016 16. To Approve Proposal of target bonus for the executives of 2016 17. To Approve Approval for the personnel adjustments of the Executives 18. To Approve Proposal of 2016 key performance indicators (KPIs)for Corporate President and CEO

Date	Meeting	Major Resolutions
2016.03.24	First 2016 BOD Meeting	1. To Approve Proposal of total remuneration for the staffs & the board of directors of 2015 2. To Approve the 2015 Financial Statements and Business Report 3. To Approve the Acer's Statement of Internal Control System for 2015 4. To Approve the Proposal for Profit & Loss Appropriation of 2015 5. To Approve the Cash Distribution from Capital Surplus 6. To Approve Convene the 2016 General Shareholders' Meeting 7. To Approve the Appointment CPAs of KPMG as the Auditors of Acer Incorporated 8. To Approve Simplify the Investment Framework of Gateway's Subsidiaries 9. To Approve Negotiate a Syndicated Loan Arrangement With Selected Bank Group 10. To Approve the Capital Injection into Acer SoftCapital Incorporated 11. To Approve Strategic Investment in Subsidiaries 12. To Approve directly or indirectly invest in Acer TW-US Venture Investment Fund I through Subsidiaries 13. To Approve Propose to establish Chongqing Capital Venture Fund 14. To Approve Modify and adjust the Investment Framework in EMEA 15. To Approve Propose to establish New Business Holding and its Subsidiaries 16. To Approve the Renewal of the Bank Facilities 17. To Approve the Company's Corporate Guarantees 18. To Approve Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 19. To Approve Proposal of target bonus for the executives of 2015 20. To Approve Approval for the personnel adjustments of the Executives 21. To Approve Proposal of 2016 merit increase figures for all executives
2016.05.12	Second 2016 BOD Meeting	1. To Approve the First Quarter of FY2016 Consolidated Financial Statements 2. To Approve Propose to Set the Record Date of Capital Reduction by Redeeming and Cancelling a Portion of Restricted Stock Awards ("RSA") Initially Issued in 2014. 3. To Approve Modify the Cash Distribution from Capital Surplus 4. To Approve Structural Adjustment of Service Business Units 5. To Approve Strategic Investment in Subsidiaries 6. To Approve Management of the idle assets and sale of land in France 7. To Approve Donation of Acer Foundation 8. To Approve the Renewal of the Bank Facilities 9. To Approve the Company's Corporate Guarantees 10. To Adoption of the Company and Worldwide Subsidiaries' Lending of Capital to others 11. To Approve Proposal of profit sharing guideline and executives allocation of 2015 12. To Approve Proposal of target bonus for new executives of 2016 13. To Approve Proposal of new company stock option program guideline 14. To Approve The Retirement Application of the Executives

Implementation of Resolutions in 2015 General Shareholders' Meeting

Major Resolutions	Carries out the situation
1. To Accept 2014 Financial Statements and Business Report	The shareholder meeting resolution passes according to the document
2. To Approve the Proposal for Distribution of 2014 Retained Earnings	The shareholder meeting resolution passes according to the document
3. To Approve Amendments to the Company's Following Internal Rules: a. Procedures of Acquiring or Disposing of Assets b. Foreign Exchange Risk Management Policy and Guidelines	The shareholder meeting resolution passes according to the document

4

Capital and Shares

4.1 Sources of Capital

4.1.1 Sources of Capital (April 26, 2016)

Unit: Share/NTD Thousand

Date	Price of Issuance	Authorized Common stock		Paid-in Common stock		Notes
		Shares	Value	Shares	Value	
Octorber, 2015	Share/NTD10	3,500,000,000	35,000,000	3,085,442,828	30,854,428	-

Unit: Share

Shares Category	Authorized capital			Notes
	Issued shares	Non-issued	Total	
Common shares	3,085,442,828	414,557,172	3,500,000,000	-

4.1.2 Shareholding Structure (April 26, 2016)

Unit: Share

Category Number	Government Institution	Financial Institution	Other Institution	Individual	FINI and Foreign Investors	Total
No. of Shareholders	9	43	565	345,035	878	346,530
Shares	3,444,693	16,453,528	164,429,232	2,347,648,440	553,466,935	3,085,442,828
Percentage	0.11%	0.53%	5.33%	76.09%	17.94%	100.00%

4.1.3 Distribution of Shareholdings (April 26, 2016)

Category	The Number of Shareholders	Shares	Percentage
1~999	119,756	33,278,745	1.08%
1,000~5,000	149,657	342,819,756	11.11%
5,001~10,000	36,408	275,123,396	8.92%
10,001~15,000	13,529	165,734,885	5.37%
15,001~20,000	7,783	140,432,952	4.55%
20,001~30,000	7,288	180,141,985	5.84%
30,001~50,000	5,703	222,718,752	7.22%
50,001~100,000	3,701	259,525,606	8.41%
100,001~200,000	1,593	219,793,159	7.12%
200,001~400,000	606	168,858,180	5.47%
400,001~600,000	192	93,132,678	3.02%
600,001~800,000	84	58,808,069	1.91%
800,001~1,000,000	43	39,053,379	1.27%
1,000,001 and above	187	886,021,286	28.72%
Total	346,530	3,085,442,828	100.00%

4.1.4 List of Major Shareholders (April 26, 2016)

Item / Name	Shares	Percentage
Stan Shih	81,024,395	2.63%
Hung Rouan Investment Corp.	73,629,933	2.39%
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	47,105,632	1.53%
Management Board of Public Service Pension Fund	37,011,600	1.20%
Acer GDR	34,165,455	1.11%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	29,968,682	0.97%
Carolyn Yeh	18,839,229	0.61%
The Master Trust Bank of Japan, Ltd. as trustee for Government Pension Investment Fund - internal - MTBJ400045833	17,272,972	0.56%
Government of Singapore	14,920,718	0.48%
MSCI Equity Index Fund B - Taiwan	14,742,764	0.48%

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4.1.5 Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NTD

Item / Period			2014	2015	Until Mar. 31st, 2016
Market Price Per Share	Highest		25.70	22.15	13.15
	Lowest		17.30	9.31	10.10
	Average		20.65	16.00	11.72
Net Value Per Share	Before Distribution		22.13	21.67	21.48
	After Distribution		22.13	Un-appropriated	Un-appropriated
Earning Per Share	Weighted Average Share Numbers		2,722,362 Thousand shares	3,014,625 Thousand shares	3,026,277 Thousand shares
	Earning Per Share	Current	0.66	0.20	0.02
		Adjusted	0.66	Un-appropriated	Un-appropriated
Dividend Per Share	Cash Dividend (NTD)		-	Un-appropriated	Un-appropriated
	Stock Dividend	Retained Earning (%)	-	Un-appropriated	Un-appropriated
		Capital Surplus (%)	-	Un-appropriated	Un-appropriated
	Accumulated unpaid dividends		-	Un-appropriated	Un-appropriated
Return on Investment Analysis	P/E Ratio		31.29	80.00	586.16
	P/D Ratio		-	Un-appropriated	Un-appropriated
	Cash Dividend Yield		0.00%	Un-appropriated	Un-appropriated

4.1.6 Dividend Distribution Plan Proposed To General Shareholders' Meeting

As the industry prosperity and the trends rapidly changed, the dividends strategy of the Company depends on yearly earnings and external environments, therefore, cash dividends of this Company shall be distributed at least ten percent of yearly dividends for complying with related regulations, which was approved at the Shareholder's Meeting on June 17, 2004.

4.1.7 Analysis on Impact of Proposed Stock Dividends Appropriation in Terms of Operating Results, Earnings Per Share and Rate of Return of Shareholders' Investment

The 2016 annual shareholders' meeting proposed not to distribute dividend. In accordance with Article 241 of the Company Act, it is proposed a cash distribution of 1,542,721,414 from the capital surplus derived from any common stock issued by the Company. The cash will be distributed to the shareholders whose names and respective shares are in the shareholders' register on the record date for ex-dividend, at a ratio of NT$ 0.5 per share (Rounded down to full NT dollar and the fractional amounts will be aggregately recognized as the Company's other income).

4.1.8 Compensation of employees, directors, and supervisors:

1. Where this Company has earnings at the end of the business operational year, after paying all relevant taxes, making up losses of previous year, setting aside a legal reserve of ten percent (10%) and setting aside or reversing a special reserve as required by laws or competent authorities, the balance of the earnings shall be distributed as follows:
   (1) Over five percent (5%) as employee bonuses; Employees may include subsidiaries that that meet certain criteria set by the board of directors.
   (2) Not more than one percent (1%) as remuneration of directors and supervisors; and
   (3) The remainder may be allocated to shareholders as bonuses. The Company shall not pay dividends or bonuses when there is no profit.
2. In accordance with the amendments to the Company Act in May 2015, employee bonus and the remuneration for directors are no longer subject to earnings distribution. According, the Company expects to make amendments to its articles of incorporation to be approved during the 2016 annual shareholders' meeting. Pursuant to the Company's articles of incorporation passed by the Board of Directors but not yet approved by the shareholders, the Company shall distribute no less than 4% of its profits in the current period as compensation to its employees and no more than 0.8% to its directors.

   The Board of Directors proposed a dividend distribution plan of year 2015 as follows: NT$28,200,077 as remunerations to employees, NT$5,640,015 as remunerations to directors. The aforementioned accrued compensation to employees is same with the amount approved by the Board of Directors on March 24, 2016 and will be paid in cash. Meanwhile, the Company's directors have voluntarily surrendered the compensation to directors. The difference of NT$5,640,015 is treated as change in accounting estimate and charged to profit and loss in 2016.

	2015			
	Dividend Distribution Approved by the Shareholders' Meeting	Dividend Distribution Proposed by the BOD	Different Value	Different Reason
The Dividend Distribution:			-	-
1. Remunerations to Employees is paid in cash (Unit: NT$ Thousand)	NTD 0	NTD 0		
2. Remunerations to Employees is paid in stock				
(1) Number of Shares	0 shares	0 shares		
(2) Value (Unit: NTD Thousand)	0	0		
(3) Circulation Rate of Shares in Stock Market on Ex-right Day	0%	0%		
3. Remunerations to Directors (Unit: NTD Thousand)	NTD 0	NTD 0		
Earning Per Share (EPS): Original EPS Reset EPS	NTD 0.66 NTD 0.66	NTD 0.66 NTD 0.66	-	-

4.1.9 Buyback of Treasury Stock

Term of Buyback	The Buyback in Year 2012
Purpose of Buyback	Shares Transferred to Employees
Period of Buyback	July 3, 2012 to September 2, 2012
Price Range of Buyback	NTD 28 to NTD 35
Class and Quality of Bought back	Common Shares: 10,000,000 shares
Amount of Shares Bought back	NTD 271,182,250
Number of Shares having been written off and Transferred	10,000,000 shares
Number of the Company Shares Held in accumulation	0 share
Number of the Company Shares Held in accumulation out of the Total Number Shares issued (%)	0.323%

4.2 Corporate Bonds

4.2.1 The Overseas Unsecured Convertible Bonds

Corporate Bonds	The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Issuing Date	August 10,2010	August 10,2010
Denomination	US$100,000	US$100,000
Listing	Expected to be on the Singapore Stock Exchange	Expected to be on the Singapore Stock Exchange
Issue Price	US$100.0000	US$100.0000
Issue Size	US$300,000,000	US$200,000,000
Coupon Rate	0%	0%
Maturity Date	5 years from the Issuing Date	7 years from the Issuing Date
Cuarantor	None	None
Trustee	Citigroup International Limited	Citigroup International Limited
Underwriters	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation	Lead Underwriters: J. P. Morgan Securities Ltd. Citigroup Global Markets Limited Local Lead Underwriter: Grand Cathay Securities Corporation
Legal Counsel	None	None
Auditor	Huei-Chen Chang and Agnes Yang	Huei-Chen Chang and Agnes Yang
Repayment	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 0.43% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will be redeemed by the Issuer on the Maturity Date at the amount which represents for the holder of the Bonds the par value of the Bonds plus a gross yield of 2.5% per annum, calculated on a semi-annual basis. The actual gross yield shall be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date.
Outstanding	US$0	US$0

Corporate Bonds		The 1st Overseas Unsecured Convertible Bonds	The 2nd Overseas Unsecured Convertible Bonds
Redemption or Early Repayment Clause		A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and regulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.	A. The Issuer may early redeem the Bonds in whole or in part at any time after 3 years following the Issuing Date at the Bonds'applicable Early Redemption Amount, if the Closing Price of the common shares of Acer traded on TSE (using the price after conversion of such price into U.S. dollars at the then prevailing exchange rate on the relevant dates) reaches 130% or above of the applicable Early Redemption Amount divided by the Conversion Ratio, defined to be the principal amount of Bonds divided by the Conversion Price at that time (translated into U.S. dollars at a fixed exchange rate determined on the pricing date) for 20 consecutive trading days. The actual date from which the Issuer may early redeem the Bonds will be jointly determined by the Issuer and the Lead Underwriters based on the market conditions on the pricing date. B. The Issuer may redeem all outstanding Bonds at the Bonds' applicable Early Redemption Amount, in the event that more than 90% of the Bonds have been redeemed, repurchased and cancelled or converted. C. If as a result of changes to the relevant tax laws and reg ulations in the ROC, the Issuer becomes obligated to pay any additional costs, the Issuer may redeem all Bonds at the Bonds' applicable Early Redemption Amount. Bondholders may elect not to have their bonds redeemed but with no entitlement to any additional amounts or reimbursement of additional tax
Covenants		None	None
Credit Rating		None	None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	US$300,000,000	US$200,000,000
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds	In accordance with indicative Offering Plan for an Issue of Overseas Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		When all The 1st and 2nd Overseas Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 6.14%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.	
Paying & Conversion Agent		Citibank N.A. London Branch	Citibank N.A. London Branch

4.2.2 Domestic Unsecured Convertible Bonds

Corporate Bonds	The 2nd Domestic Unsecured Convertible Bonds
Issuing Date	May 14,2013
Denomination	NTD 100,000
Issue Price	NTD 100,000
Issue Size	NTD 6,000,000,000
Coupon Rate	0%
Maturity Date	3 years from the Issuing Date
Cuarantor	None
Trustee	Taipei Fubon Bank
Underwriters	KGI Securities Co.,Ltd.
Legal Counsel	None
Auditor	None
Repayment	All Bonds shall be redeemed in cash on the Maturity Date at the face value thereof, unless otherwise converted in accordance with Clause 10 of the Rules by the holders of the Bonds (the "Bondholders", and each, a "Bondholder") into the common shares of the Company, early redeemed in accordance with Clause 18 of the Rules by the Company, or repurchased from securities firms and cancelled by the Company prior to the Maturity Date.
Outstanding	NTD 6,000,000,000

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Capital and Shares

Corporate Bonds		The 2nd Domestic Unsecured Convertible Bonds
Redemption or Early Repayment Clause		(1) During the period from one month after the Issue Date (June 15, 2013) to forty days before the Maturity Date (April 4, 2015), where the closing price of the Company's common shares traded on the TSE for consecutive thirty trading days exceeds 130% of then conversion price of the Bonds, the Company may within thirty trading days thereafter issue a "Notification of Redemption of Bonds" with one-month effective period to the Bondholders (based on the names of bondholders registered in the roster of bondholders at the fifth trading day prior to the issue date thereof. For investors who hold the Bonds after the said trading day based on trading or other reasons, the public announcement will be made in lieu of notification) by a registered mail. The aforementioned one-month period begins from the Company's issue date of the notification and the expiry date thereof shall be deemed as the record date of redemption of the Bonds. The Company shall apply to the GreTai for announcement of the same and redeem the Bonds held by such Bondholders at its face value by cash at the fifth trading day after the record date of redemption of the Bonds. The record date of redemption of the Bonds shall not fall within the close period of conversion of the Bonds. (2) During the period from one month after the Issue Date (June 15, 2013) to forty days before the Maturity Date(April 4, 2015), where the balance of the Bonds is below 10% of the original total amount of issuance, the Company may issue a "Notification of Redemption of Bonds" with one-month effective period to the Bondholders (based on the names of bondholders registered in the roster of bondholders at the fifth trading day prior to the issue date thereof. For investors who hold the Bonds after the said trading day based on trading or other reasons, the public announcement will be made in lieu of notification) by a registered mail. The aforementioned one-month period begins from the Company's issue date of the notification and the expiry date thereof shall be deemed as the record date of redemption of the Bonds. The Company shall apply to the GreTai for announcement of the same and redeem the Bonds held by such Bondholders at its face value by cash at the fifth trading day after the record date of redemption of the Bonds. The record date of redemption of the Bonds shall not fall within the close period of conversion of the Bonds. (3) If the Bondholders do not reply in writing to the Company's Stock Affairs Office (the reply takes effect upon the Company's receipt thereof; the postmark date serves as a proof if post is adopted) prior to the record date of redemption of the Bonds specified in"Notification of Redemption of Bonds", the Company may convert the Bonds held by such Bondholders to the Company's common shares at then conversion price and the expiry date thereof is deemed as the record date of conversion.redeemed but with no entitlement to any additional amounts or reimbursement of additional tax.
Covenants		None
Credit Rating		None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares,GDRs or Other Securities	NTD 0
	Conversion Right	In accordance with indicative Offering Plan for an Issue of Domestic Unsecured Convertible Bonds
Diluyion Effect and Other Adverse Effects on Existing Shareholders		When all The 2nd Domestic Unsecured Convertible Bonds convert into common shares, the maximum share dilution will be 7.89%. And this CB is issued at premium; therefore, it will not be a material adverse effect on the shareholders equity.
Paying & Conversion Agent		None

4.2.3 The Data of Convertible Bonds

1. The 1st Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 1st Overseas Unsecured Convertible Bonds
Item / Period		from January 1, 2015 to May 19, 2015
Market Price	Highest	US$102.065
	Lowest	US$101.339
	Average	US$101.623
Conversion Price		NTD 100.59
Conversion Price in Issuing Date		August 10,2010 NTD 110.76
Conversion Target		Common Shares of Acer

2. The 2nd Overseas Unsecured Convertible Bonds:

Overseas Unsecured Convertible Bonds		The 2nd Overseas Unsecured Convertible Bonds
Item / Period		from January 1, 2015 to September 15, 2015
Market Price	Highest	US$113.416
	Lowest	US$111.028
	Average	US$112.529
Conversion Price		NTD 103.50
Conversion Price in Issuing Date		August 10,2010 NTD 113.96
Conversion Target		Common Shares of Acer

3. The 2nd Domestic Unsecured Convertible Bonds

Domestic Unsecured Convertible Bonds		The 2nd Domestic Unsecured Convertible Bonds	
Item / Period		2015	As of March 31, 2016
Market Price	Highest	NTD 100.00	NTD 99.80
	Lowest	NTD 98.15	NTD 99.40
	Average	NTD 98.93	NTD 99.63
Conversion Price		NTD 24.97	NTD 24.97
Conversion Price in Issuing Date		May 14,2013 NTD 25.72	May 14,2013 NTD 25.72
Conversion Target		Common Shares of Acer	Common Shares of Acer

4.3 Special Shares

None

4.4 Global Depository Receipts (GDRs) Issuance (March 31, 2016)

Description / Date of issuance			November 1,1995	July 23, 1997
Date of issuance			November 1,1995	July 23, 1997
Location of issuance and transaction			London	London
Total amount of issuance			US$220,830,000	US$160,600,000
Unit price of issuance			US$32.475	US$40.15
Total number of units issued			6,800,000units	4,000,000units
Sources of valuable securities demonstrated			Capital increased in cash	Capital increased in cash
Number of valuable securities demonstrated			Each unit stands for Acer's 5 common shares	Each unit stands for Acer's 5 common shares
Rights and obligations of GDR holders			Same as Acer's common shareholders	Same as Acer's common shareholders
Consignee			None	None
Depository organization			Citicorp	Citicorp
Custodian organization			Citibank Taipei Branch	Citibank Taipei Branch
Balance not retrieved			6,833,072units of Global Deposit Receipt as representing 34,165,455 shares of common stocks	
Method to allocate fees incurred during the period of issuance and existence			The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.	The expenses incurred by issuance being taken to offset premium reserve. Expenses incurred during existence being taken as expenses of the current term.
Any key issue for the depository and custodian agreements			None	None
Market Price Per Share	2015	Highest	US$ 3.47	
		Lowest	US$ 1.48	
		Average	US$ 2.55	
	Until March 31, 2016	Highest	US$ 1.97	
		Lowest	US$ 1.53	
		Average	US$ 1.75	

4.5 Employee Stock Options

None

4.6 Restricted Stock Awards (March 31, 2016)

Restricted Stock Awards Granted	First Grant of 2014
Approval Date by the Authority	August 26, 2014
Grant Date	August 26, 2014
Number of Shares Granted	17,460,000 shares
Price Per Share	None
Percentage of Shares Exercisable to Outstanding Common Shares (%)	0.56%
Number of Shares Redeemed/Buy-back	1,125,000 shares
Number of Shares Exercised	3,915,000 shares
Number of Shares Unexercised	12,420,000 shares
Percentage of Shares Unexercised to Outstanding Common Shares (%)	0.40%

4.7 Issuance of New Shares Due to Company's Mergers and Acquisitions

None

4.8 Issuance of New Shares by Cash

Source of capital increase plan	Capital Increase by Cash of 2014						
Number of value issue	To raise NTD3,000,000,000 through an issue of 300,000,000 new common shares based on par value of NTD 10 per share, the actual issuing price of NTD18 per share and total monetary amount of the issue is NTD5,400,000,000.						
Utilization of the funds from the capital increase	1. Pay off bank loan: NTD3,600,000,000 2. Redemption repayment from the put option executed by the ECB holders: NTD459,815,000 3. Strengthening working capital: NTD1,340,185,000						
Progress in implementation	The status of implementation		2015 Q1	2015 Q2	2015 Q3	2015 Q4	Total
	Amount expended	Book	NTD 0	NTD 1,800,000,000	NTD 1,800,000,000	NTD 1,800,000,000	NTD 5,400,000,000
		Actual	NTD 0	NTD 1,800,000,000	NTD 1,800,000,000	NTD 1,800,000,000	NTD 5,400,000,000
	Progress in implemen-tation	Book	0%	33%	33%	34%	100%
		Actual	0%	33%	33%	34%	100%

5

Acer's Business Formula

5.1 Business Scope

5.1.1 Business Portfolio

Acer's core business comprises of the marketing, research, design, sales, and services of its brand name products that include PCs, displays, projectors, servers, tablets, smartphones, and wearables. With the Acer, Gateway and Packard Bell brands, the company has 7,000 employees worldwide and presence in over 160 countries across EMEA (Europe, Middle East, Africa), Pan America and Pan Asia Pacific. Acer's main OEM vendor for notebook PCs is based in Chongqing in China and has its own R&D team in Taiwan.

With the company's Build Your Own Cloud (BYOC™) mission, Acer is transforming into a "hardware + software + services" company and actively seeking to embrace new opportunities in the era of the ICT industry. However, the PC remains the core of Acer's business; in 2015, notebooks accounted for 58% of the total revenues from ICT product lines, while desktops contributed toward 17%, and displays increased to 13%.

5.1.2 Industry Highlights

1. Status and Opportunity: The popularization of mobile devices has brought about profound changes to the ICT industry. Whereas PCs dominated in the past, the rise of smart mobile devices with a wide range of functionalities means there is no longer a single technical standard but a wide range of integrated products and solutions, with new cross-category products surfacing. In addition, the booming Internet of Things (IoT) has propelled the need for hardware devices to integrate with cloud services, opening the way for more and wider scopes of innovation.
2. Upstream to Downstream Suppliers: Acer's upstream suppliers include the CPU, chipset, graphics chip, DRAM, and other semi-conductor industries, as well as system programing and software industries. The midstream suppliers include motherboard, chassis, keyboard, monitor displays, optoelectronics, hard disk, battery, power supply, and other computer peripherals industries. The downstream industries include notebook, desktop, projector, smartphone, server and other OEM / ODM system assembly industries.
3. Trends: Acer's core business of hardware products includes PCs, tablets, smartphones, servers, projectors, and LCD monitors. It will continue to research and innovate to enhance its product offerings. With the prevalence of the IoT, Acer is actively investing in new businesses to develop software and devices for cloud applications, integrating ICT devices dedicated to people's needs.

5.1.3 Technology and R&D

In 2015, Acer spent NT$2.089billion on R&D, which accounted for 0.79 % of total revenues, focusing on the user interface, industrial design, ICT related hardware and software, and cloud technology. In addition the company is investing in its BYOC, services, that can seamlessly integrate PCs and other personal mobile devices with new software applications, integrating cloud platform with cloud services to complete the transition to a hardware + software + services company.

With the commitment toward designing for customer needs, Acer is developing award-winning products that are innovative and provide intuitive user experiences.

- Five products earned the Red Dot Design Awards: four notebooks including the 2-in-1 Aspire Switch 12, the professional TravelMate P645, the convertible Aspire R 13 and the entertainment oriented Aspire V Nitro Series; and the compact Revo One RL85 desktop.
- Five products were honored with Japan's Good Design Award: Revo One RL85 mini PC, Aspire R 11 convertible notebook, Aspire Switch 10 E 2-in-1 notebook, Predator Z35 curved gaming monitor, and K138STi portable LED projector.
- Four products received the Taiwan Excellence Awards: TravelMate P645, Aspire V 17 Nitro, and Aspire Switch 12 notebooks, and Aspire U5-620 all-in-one desktop.
- Seven Computex d&i (design and innovation) awards: Aspire Switch 10 E 2-in-1 and Aspire E 15 notebooks, Predator X34 gaming monitor, Iconia One 8 tablet, the widely praised Chromebook 15, Revo One RL85 entertainment center, and stylish H257HU monitor.
- IF Product Design Awards of Germany: C205 pocket projector.

As a global citizen, Acer is also doing its part to help minimize harmful impacts on the environment by joining the American Business Act on Climate Pledge. Acer America has pledged to reduce global greenhouse gas emissions by 60% by 2020 and will continue to purchase 100% green power for its U.S. operations.

5.1.4 Long and Short Term Business Plan

In the short term, Acer will focus on strengthening the foundation of existing product lines and innovation, along with the development of software application, integrate cloud platform and cloud services.

In the long term, Acer will strive to enhance its brand positioning, increase operating margin, integrate hardware products with software applications, and cloud platforms with cloud services, to complete transition to a hardware + software + services company.

5.2 Market Highlights

5.2.1 Market Study

In 2015, Acer's revenue contributions among its regional operations were: EMEA with 37%, Pan Asia Pacific with 36%, and Pan America with 27%.

In worldwide PC shipments, Acer ranked No. 5 for total PCs with 7% market share, No. 6 for notebooks with 9.1% market share, and No. 4 for desktops with 4.1% market share, according to IDC.

For Chromebooks, Acer Group was the world's leading brand with over 33% market share in 2015, according to data from Gartner.

For the 2015 LCD monitor retail market, Acer ranked No. 1 in North America in according to global information company, The NPD Group. Acer led the US retail market with more than 20% market share and grew 26% year-on-year for unit shipments, far exceeding the industry average of 6 %. Acer also took the No. 1 position in Canada with nearly 23% market share and grew 31% year-on-year for unit shipments, despite the overall market decline of 7%.

5.3 Keys to a Sustainable Future

5.3.1 Promote Transformation and People-centric Product Strategy

Transform into a hardware + software + services company by combining the strength and scale of existing core PC business with the Acer Build Your Own Cloud (BYOC™) new business. By researching and understanding customer needs, develop innovative and high-margin products that offer differentiation and high added value. Take a people-centric approach in the R&D of products and services. Establish an end-to-end marketing system, cultivate customer loyalty to the Acer brand, and reallocate resources in areas of high value to maximize output.

5.3.2 Engrain Wangdaoism into the Corporate Mindset

Wangdao's philosophy of altruism with its three core beliefs: sustainable development, value creation, and balance of interests, is the foundation of Acer's corporate transformation. Realize the spirit of Wangdao through the continuous pursuit for innovation and value creation; set a mechanism that ensures the balance of interests and pursue for sustainable operations. Under the BYOC vision, ally with cross-platform and cross-industry partners to build the BYOC ecosystem. Together, create value, share the fruitful results, and balance stakeholders' interests to create applications for a better lifestyle.

5.3.3 BYOC and the Internet of Beings

BYOC is an open platform that lets people integrate their PC and other digital devices to share contents seamlessly at any time, securely and privately. Based on the Internet of Things (IoT) architecture, the concept of Acer's Internet of Beings

(IoB) is to integrate PCs, mobile smart devices with the BYOC open platform, backend services and various development models, to create new smart living applications. For cloud services in various industries, provide applications for smart homes and smart living. Acer is seeking for more partners to join the BYOC alliance to develop products, create value, and share the rewards of success.

Appendix

1. Key Buyers and Suppliers Accounting Over 10% of Total Net Sales and Purchase:

(1) Key Buyers for Acer Group

Unit: NTD Thousand

Item	Year 2014				Year 2015				Current Year as of Mar.31,2016			
	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net sales (%)	Relationship with Acer Inc.
1	Customer A	35,463,359	10.76	None	Customer A	27,450,667	10.41	None	None			
	Others	294,220,912	89.24		Others	236,324,535	89.59		Others	56,315,625	100.00	
	Total Net Sales	329,684,271	100.00		Total Net Sales	263,775,202	100.00		Total Net Sales	56,315,625	100.00	

(2) Key Suppliers for Acer Group

Unit: NTD Thousand

Item	Year 2014				Year 2015				Current Year as of Mar.31,2016			
	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.	From	Amount	Percentage of total net purchase (%)	Relationship with Acer Inc.
1	Supplier A	39,187,143	16.92	None	Supplier C	32,540,848	18.35	None	Supplier C	6,596,664	17.33	None
2	Supplier C	29,861,637	12.89	None	Supplier B	21,069,623	11.88	None	Supplier D	5,153,594	13.54	None
3	Supplier B	25,475,062	11.00	None	Supplier D	20,773,016	11.72	None	Supplier B	4,983,375	13.09	None
	Others	137,115,081	59.19		Others	102,922,862	58.05		Others	21,334,967	56.04	
	Total Net Purchase	231,638,923	100.00		Total Net Purchase	177,306,349	100.00		Total Net Purchase	38,068,599	100.00	

2. Production Value in the Last Two Years:

Not applicable.

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3. The Sales Value in the Last Two Years:

Unit: NTD Thousand

Year / Major production	2014		2015	
	Domestic Sales	Foreign Sales	Domestic Sales	Foreign Sales
Computer	7,448,015	260,514,088	6,962,782	200,701,021
Peripherals & Others	15,320,164	46,402,004	15,009,414	41,101,985
Total	22,768,179	306,916,092	21,972,196	241,803,006

5.4 Employees

5.4.1 Global Human Asset Management

Employees are the Company's key assets and the main driver of business growth. Acer has fostered a work environment that empowers employees by entrusting them with the tasks matched to their skill or qualification. There are clear objectives and reward for achievement, extensive communication and interaction among coworkers, constant encouragement for innovations, and an effective decision making process. On-the-job training provides the ideal platform for learning and development.

As a result of employees' joint effort, Acer has received numerous industry and media recognition. For example, Acer has been voted by Reader's Digest readers as a "Trusted Brand" in Asia for consecutive years since 1999; in 2007 Forbes selected Acer as one of the "Fabulous 50" – a list of the best of Asia-Pacific's biggest listed companies. In 2011, Forbes selected Acer as one of "Most Popularity in 100 Global Companies".Summary of Acer's Workforce:

-By Manpower, Age and Years of Service

Date / Category	December 2014	December 2015	March 2016
Manpower	7,169	6,958	7,085
Average Age	37.2	37.7	37.8
Average Years of Employment	6.5	7.5	7.4
Male (%)	65.8%	66.1%	65.1%
Female (%)	34.2%	33.9%	34.9%

-By Job Function

Date / Job Function	December 2014	December 2015	March 2016
General Management	193	177	157
Sales & Product Marketing	2,362	2,221	2,296
Customer Service	2,167	2,130	2,227
Research & Development	979	961	981
Sales Support	826	844	757
Administration	642	625	667
Total	7,169	6,958	7,085

- By Education Level

Education Level / Date	December 2014	December 2015	March 2016
Doctor of Philosophy	0.8%	0.8%	0.8%
Master's Degree	30.1%	39.9%	39.9%
Bachelor's Degree	41.6%	40.7%	41.1%
Vocational Study	23.6%	15.6%	15.3%
Senior High School or below	3.9%	3.0%	2.9%
Total	100%	100%	100%

5.4.2 Recruitment

The Company abides to each country's labor laws and customs. We are committed to providing equal opportunities and prohibiting discrimination against candidates in regards to their ethnic origin, gender, age, religion or nationality, and we are sticking to the principle of putting the right people at the right position. Acer seeks high-potential candidates with multi-disciplinary backgrounds in order to build a strong global workforce.

5.4.3 Training and Development

The training in 2015 aimed to help Acer accelerate the transition from hardware-focused to hardware, software, and service company. Thus, we focused to help the employees to have a deep understanding of trend, technology, and business opportunities, along with the utilization of digital marketing. In addition, the value creation was persistently addressed so as to have employees incorporate the values into daily work.

For management training, we have been dedicated to enhancing the people management competencies, expecting the managers to acquire more sophisticated skills in managing teams' performance and using incentive tools effectively, in order to enhance individual's and teams' performance for value creation.

For profession training, there had been multiple speech sessions held covering a variety of technological development topics, to assist the employees of product business , e-Business, BYOC to recognize the business trend, and further target the consumers' needs in more precise manner.

For general staff training, the employees are guided to make use of the latest technological applications in doing marketing and selling. With the guide of core values, we continued to enhance the skills in the aspect of innovative application, cross-unit collaboration, 5C (Communication, Communication, Communication, Consensus, Commitment), and implementation of projects.

To assure training quality and effectiveness, all trainings were carried out in compliance with the "Management Procedures for Internal and External Training." Training in worldwide attracted 8,976 personnel for a total of 66,211 person-hours of training. All of the trainings were initiated and conducted based on the principle of development needs, with gender equity and equal opportunity addressed.

Training Scheme and Implementation

- New Employee Training: Orientated the new employees by shaping essential mindset and providing essential knowledge, covering the overview of Acer's organization, culture, core values and standards of business conduct (including labor rights, freedom of expression, sexual harassment prevention, anti-corruption), policies and systems, Welfare Committee and Employee Representative Meeting, IP sense, etc. The new employees of product lines need to receive patent prosecution and protection training, training of Green Products, EICC, and GHG, Electrostatic Discharge (ESD)training. Cardiopulmonary Resuscitation (CPR) and Automatic External Defibrillators (AED) Training.
- General Skill Training: The training focused on how to use the latest technology to enhance the work efficiency. For example, How to Run Social Media Successfully, Advanced Outlook. Meanwhile, the basic skills and core competencies are also stressed, for example, Project Implementation and Communication, Successful Presentation Skills, and Patent Protection, etc.
- Professional Training: The training was provided for advancing the professional knowledge and skills in technological trend development. In 2015, we held a series of speech sessions on technological development by inviting internal experienced manager or staff to share the latest development of technology, including Wi-Fi field, Touch Tech, Cloud Applications, SmartHome Remote Control, and Big Data applications, etc.
- Managerial Training: In order to enhance the management skills of people managers, we held a series of people management training, including People Selection and Interview Skills, Goal Setting, Delegation Skills, Coaching for Performance Improvement, Performance Management and Incentives Management. All people managers are requested to attend the series of training. For the level of senior managers, we emphasize about how to apply Wangdao concept to performance management to create values collectively, for example, Platform Strategy, and Wangdao Management Program.
- By abiding by the regulations of OHSAS 18001 requirements, we have General Safety, Health, and Hygiene Training for our staff.

Multiple Ways of Learning and Development

Each employee is provided with multiple development paths to enhance the profession--- for example, from company within, such opportunities can be found as on-the-job training, coaching, job rotation, speech, online learning and reading seminar, etc. For the company outside, they include profession club seminars, short-term intensive training hosted by the prestigious universities or training institutions. For enhancing staff professional skills, we have the 'Regulations of Acquiring Professional Certificates', regulating the subsidiary for test-taking fees, and further, the dedicated incentives for the staff who successfully get the essential professional certificates.

5.4.4 Compensation

Acer provides a competitive salary package to attract and retain high-potential human assets. The Company surveys global IT companies' salary levels annually, to ensure that our salary packages are adjusted accordingly and reasonably to reflect market conditions. On top of the monthly salary, the Company offers the bonuses that are differentiated from the performance of business unit and each individual. Taking Taiwan for example, in addition to the fixed monthly salary and festival bonuses, Acer offers incentives that reward new innovations, intellectual property rights, sales achievements, performance bonus and profit sharing.

5.4.5 Welfare

The Company abides to each country's labor laws and customs, and strives to provide a comfortable working environment, attractive welfare programs, candid communication ways to enhance productivity and creativity. Taking Taiwan for example, Acer has established a welfare committee that initiates activities for employees' welfare. For example: Acer provides group insurance, educational grants, Acer Family Days, internal social clubs, speeches on topics of arts appreciation, domestic and overseas holiday breaks, gift money for wedding or funeral, and emergency relief measures, etc. Besides, we have recreation and leisure facilities installed in office area to release employees' pressure from work, and provide health-promotion programs to keep the body and mind well-balanced.

5.4.6 Pension

The Company abides to each country's labor laws and customs. Taking Taiwan for example, Acer conforms to the Labor Standards Act and Labor Pension Act by contributing a portion of employees' salaries toward a pension scheme. Besides, employees who have served for 15 years and have reached 50 years of age can apply for early retirement.

5.4.7 Employee Relations

Acer respects employees' opinions and is dedicated to maintaining a harmonious relation between managers and their team members. In the past two years, Acer has not suffered any financial loss from employee conflict.

Taking Taiwan for example, Acer offers multiple channels for interaction in order to improve two-way communication:

- A Dedicated Hotline: A hotline for each supporting function has been set up for employees to call, in confidence, to express concerns or issues. Acer will provide counsel and/or resolve the issues in the most efficient way.

- Open and Candid Communication Channels: Employees can report areas of concern to their immediate supervisor or choose to convey to higher authorities for resolution. Meanwhile, the Company CEO meets face-to-face with employee representatives from each office area on a quarterly basis, to discuss areas of improvement and respond to issues. The CEO also assigns the relevant member(s) to aggressively follow up on change or improvement, and to report on progress at the next quarterly meeting to ensure the resolution effectiveness. The meeting minutes are published on the Company Intranet for all employees' attention.
- Implementation of Wangdao's Philosophy: Communication about Company's Changes: During the period of company's transition, we use such communication channels as email, StanShares, For implementing Wangdao's philosophy in organization, we employ a variety of channels for promulgating the core concept: Wangdao's Speech Forum by Stan Shih, Communication Sessions of Enjoy Work and Life hosted by Chairman George Huang; In addition, the guest speakers from other industries are invited to share their expertises to broaden the perspectives of the managers.
- Transformation Committee (TC) Office in intranet, and face-to-face communication meetings to deliver new vision, strategies, and action plans, so as to assure the general staff have a clear understanding of communication messages. If the staff would like to raise up their questions or concerns during the course of company's changes, they may feel free to express their suggestions or opinions by way of sending email directly to the TC Office, a top authority to lead change management in Acer.

5.4.8 Acer Employee Management

To ensure business growth on a healthy and comprehensive management system, the mutual rights and obligations between the Company and employees are explicitly specified as follows:

- **Authority Management**

  According to the levels of management responsibilities, "The Table of Authority Approval", "Regulations on Delegated Deputy", and the "Scheme of Job Categories and Titles" are regulated to assure well-functioned in all layers of directive operations, and furthermore, to provide staff with a sound roadmap for career development paths.

- **Standards of Business Conduct**

  For enhancing the overall corporate competitiveness and playing a responsible role in the social, economic, and environmental conduct of our operations, the Standards of Business Conduct of Acer are thus updated. By the guidance of the Standards of Business Conduct, we strengthen our corporate culture aiming to protect Acer's legitimate business interests around the world, and further assure the service quality of our customers, suppliers, and other business partners as well as the communities in which we operate.

  Following are the essences of the Acer's Standards of Business Conduct.

  1. Create work environment with care, respect, and fairness.
  2. Continue to promote technological innovation and provide high quality-assured products and service.
  3. Comply with the laws for maintaining free and fair competition.
  4. Promote research and development of advanced technologies and products that will benefit the environment.
  5. Comply with all intellectual property rights laws and regulations.
  6. Prohibit any employees from engaging in any activities that lead to illegal or improper business interactions.
  7. Employ a fair and objective evaluation process for selecting the business partners.
  8. Conduct corporate communication based on integrity and objective facts.
  9. Ensure the advertisements are truthful and accurate.
  10. Comply in full with all accounting laws and regulations
  11. Obey the laws regarding with lenders and export credit.
  12. Refrain employees from receiving improper personal benefits
  13. Forbid illegal or improper payments unaccepted by local business laws or sound business practices.

  14. Prohibit employees from accepting inappropriate value of gifts or customary business amenities beyond a reasonable level.
  15. Protect company assets (including physical assets, intellectual property rights, and information assets).
  16. Safeguard the confidential and proprietary information and avoid using such information for pursuing personal interests.
  17. Ban the use, sale, or possession of illegal drugs.
  18. Undertake all activities in harmony with the community and provide voluntary services.
  19. No political contributions shall be made unless permitted by the applicable laws in locals

- **Sexual Harassment Prevention Measures**

  The Company is dedicated to ensuring gender equality and human dignity in workplace, securing work environment free from sexual harassment and discrimination. With the promise, the Prevention Measures and Disciplinary Actions on Sexual Harassment is enacted, which specifies the reporting channels, dealing procedures, and disciplines.

- **Declaration of Secrecy and Intellectual Property Rights**

  The Company places extreme importance on the protection of intellectual properties rights. All staff are required to have the Declaration on Non-Disclosure Agreement signed when onboard, which declares the obligations to protect confidential information and the restrictions on use of the confidential information during the employment period and employment termination.

5.5 Important Contracts

Nature of Contracts	Contracting Parties	Beginning and Ending Dates of Contracts	Major Content	Restrictive Clauses
Software License Agreement	Microsoft Inc.	Aug 1, 2014~Jul 31, 2017	Obtain license from Microsoft for using certain software	Confidential Non-assignable
Patent License Agreement	MPEG LA, LLC	Jun 1, 1994 until the expiration of all MPEG-2 Patent Portfolio	Obtain license for MPEG-2 encoding/ decoding patents	Confidential Non-assignable
	Microsoft Corp.	Jan 1, 2016~Dec 31, 2018	Cross license arrangements for certain patents	Confidential Non-assignable
Syndicated Loan Agreement	A bank group led by the arrangers, Citibank Taiwan(management), Taipei Fubon, Bank of Taiwan, Chinatrust, Taishin, Taiwan Cooperative, DBS, Landbank, Taiwan Business, Megabank, Chang Hwa and ANZ.	Nov 17, 2011 until the loan has been fully repaid on April 18, 2016	A maximum syndicated financing amount of NTD15 billion	Confidential, Non-assignable, Certain financial ratio covenants
Syndicated Loan Agreement	A bank group led by the arrangers, Bank of Taiwan, Chinatrust, Taiwan Cooperative, Megabank, Taipei Fubon, Taishin, Bank SinoPac, DBS, Chang Hwa, Landbank, Taiwan Business, KGI and Agricultural Bank of Taiwan	From April 29, 2016 for a period of no more than four years	A maximum syndicated financing amount of NTD12 billion	Confidential, Non-assignable, Specific financial ratio covenants

6

Corporate Social Responsibility

Acer Incorporated 2015 Annual Report
Corporate Social Responsibility

Acer aims to actively meet our Corporate Social Responsibility (CSR) within the context of stable profit and sustainable growth. Above all, we are dedicated to seeing the world grow as a whole by pursuing global economic growth, environmental protection and social progress. The vision of a sustainable

Acer can be achieved through corporate responsibility, innovation, increasing profitability, operational efficiency and sustainability. We embedded Acer spirit of "Innovative Caring," in our business operation and dedicated to enhancing corporate performance, ensuring benefits for employees and shareholders, and providing consumers with state-of-the-art technology. To visualize Acer vision and spirit for a sustainable development, our CSR agendas have encompassed several important topics including environment, safety and health management, supply chain management, stakeholders' communication and community involvement.

Acer's Corporate Responsibility Policy includes:

- We aim to meet the growing expectations of stakeholders and seek continuous improvement in business operations, better communication with stakeholders, and recognition and support from the market.
- We will walk the talk on CSR by means of a top-down process with practical, prioritized, workable and measurable action plans which are relevant to our products and services.
- We will manage the risks and explore the opportunities of sustainable development through efficient governance wherever we operate.
- We will engage suppliers to work together for business ethics, mitigating climate change and improving resource efficiency.

Acer's dedication has been widely recognized by the media and investors. 2015 marks the second consecutive year for Acer to be included in MSCI Global Sustainability Indexes and Dow Jones Sustainability Indices (DJSI), also the second consecutive year to be awarded the gold medal of sustainability report from the Taiwan Corporate Sustainability Awards. In addition, Acer has been ranked as Bronze Class company by RobecoSAM and listed in Top 50 Green Brands by Forbes Magazine.

In 2008, Acer stablished the Corporate Sustainability Office (CSO) as an establishment directly in charge of Acer Group's CSR affairs. The Office is in charge of promoting campaigns on companywide sustainability issues. Since then, we take into account stakeholders' suggestions to establish longer term CSR targets and strategies to internalize CSR programs throughout the whole global organization and suppliers. In 2012, we established GCSRC (Global Corporate Social Responsibility Committee) to include the heads of the most critical departments to create the CSR and sustainability practice strategy, to come out the annual implementation plan, and to examine the implementation performance. To deepen corporate responsibility governance and business strategy combination, we adjusted the corporate sustainability office affiliated with the chairman from Corp. President & CEO. The AVP of corporate sustainability office was appointed as Corporate Sustainability Officer in 2015.In the environment, safety and health management aspects, we implement office carbon reduction programs, enhance suppliers' capacity of greenhouse gases management, launch several projects to improve the health and safety of our employees and have third party verification for the GHGs emissions data of Acer Group global operation sites every year since 2012. For supply chain management, we conduct suppliers' Social and Environmental Responsibility (SER) on-site audits, investigate smelters in our supply chain for conflict minerals issue and take multiple actions to comply with California Transparency in Supply Chains Act of 2010 (SB 657). Regarding communication, we build a good communication channel with stakeholders to ensure mutual understandings and respect, and we continuously improve the quality of our customer service and the protection of customer privacy. About community involvement, Acer is committed to give back to the society by creating digital opportunities for the disadvantages through Acer Volunteer Team and Acer Foundation.

6.1 Environment, Safety and Health Management

6.1.1 The Environmental Protection

1. Energy and Climate Change

We continue to implement the Acer Integrated Energy and Climate Change Policy and get the third party verification for the GHGs emissions data of Acer Group global operation sites. We also increase green and renewable electricity in our major operation in Europe like American, German and Italy to reduce our carbon emission. In 2015, Acer Canada, France and Spain also start to use green power at their facilities.

Regarding the cooperation with suppliers, we have continually encouraged our major suppliers to respond to CDP supply chain questionnaires on GHG emissions and response measures to climate change, and make this information openly available or disclose it to other members of the Supply Chain Program. Our suppliers showed higher return rate, disclosure score and performance than the global CDP Supply Chain Program participant average. Besides, we also encourage our suppliers to set reduction target to reduce the emission through the whole value chain. And we provide training courses for some of our suppliers and consultant to improve their capacity to respond to the questionnaire and assisted suppliers to gradually enhance their overall capacity to the climate change, carbon reduction and energy efficiency.

Acer has also enhance the carbon reduction target to reduce absolute GHG emissions by 30% below 2009 levels by 2015 and 60% below 2009 by 2020, we already made the goal for 2015 by implement internal energy efficiency program green electricity. We will keep to evaluate the feasibility of introduce the more green electricity.

2. Green Product Management

Acer's green product policies are:

- Based on the "product life cycle" concept, we offer high-quality products that are energy and resource efficient, low in pollutants and hazardous substances, and easy to recycle
- By employing green purchasing and through communications with our suppliers we have been able to establish a green supply chain that is fully compliant with international environmental practice.

All of Acer's products are in compliance with regulatory and customer requirements in all respective territories, protecting the health and safety of users and reducing potential risk to the environment. In addition to legal compliance, we also proactively comply with our various markets' voluntary environmental demands including product life cycle considerations such as energy efficiency, reduced use of toxic and/or hazardous substances, and end-of-life product processing. Since 2009, Acer has kept launching PVC-free and BFR (Bromine Flame Retardants)-free products, and is steadily accomplishing the target of non-halogenated products. In 2012, we created a standard that seven kinds of phthalates that might cause impact to human body are restricted to be used in our products. In 2015, the restriction has included two more phthalates, red-phosphorus and sulfur

In order to promote the reuse of resources, Acer has taken the initiative in using postconsumer recycled plastics (PCR) in its products. In 2015, we continued to expand the use of recycled plastic materials in B6 and V6 display new models and some All-in-One desktop PC.

Through the Acer Packaging Design Principles, we are able to examine the life cycle of our packaging material and make informed decisions about the environmental impact of our packaging at every stage, from initial R&D into and selection of materials through production methods, transportation and fuel consumption, durability in use, and waste handling. The Acer Packaging Design Principles also address ongoing reduction in design, the use of environmentally friendly materials, and improved recyclability.

Acer is committed to improving energy efficiency in our products to help consumers reduce the amount of energy they consume while using our products. During product design, we comply with energy consumption guidelines in each of our markets, including the European ErP eco-design directive. To ensure our products comply with the requirements of particular customers and markets around the world, we have acquired US Energy Star® and China Energy Conservation labels for selected products.

Acer incorporates environmental concerns during product design, striving to reduce the environmental impact of the product at each stage of its life cycle and aiming to design environmentally friendly, easily recycled products. Through both voluntary and legally required recycling programs, we provide consumers with compliant, convenient recycling channels and promote recycling and reuse of ICT products. We support Individual Producer Responsibility (IPR), and pledge to work with stakeholders like governments, consumers and retailers to undertake responsibility for the recycling and management of e-waste.

3. Office Carbon Reduction

Acer's primary facilities are offices, and thus the electricity we consume is used for typical air conditioning and lighting. We study measures to lower the usage of electricity every year. In 2015, we save electricity and reduce greenhouse gases emissions by improving the operation of air-conditioning system, increasing the efficiency of lighting, producing green electricity and installing energy monitoring system.

6.1.2 Safety and Health

1. Environmental Safety and Health Management

As a global IT company focused on marketing and service, Acer endeavors to achieve balanced development in economy, environment and society. We are devoted to environmental protection. We understand that all our products, services and activities have potential impact to the environment and community where we conduct business. We are also dedicated to providing a safe and healthy workplace for employees believing that occupational health and safety is the foundation of sound and responsible business operations. We ensure all employees understand their roles and responsibilities and are working with our partners and suppliers to meet or exceed the environmental, health and safety commitments. Our policies on environmental safety and health management are as below:

- Meet or exceed all applicable legal requirements, industry standards and voluntary agreements to which Acer subscribes.
- Improve resource productivity by promoting pollution prevention, energy efficiency and waste reduction.
- Carefully select raw materials and suppliers to provide safe and low environmental impact products.
- Strive to create a safe and healthful workplace and to prevent occupational injury and illnesses.
- Continuously improve EHS performance based on audit and communications

Observing EHS policies and implementing the Acer EHS management system have assisted us in fulfilling our pledges and reaching our corporate targets, including management of potential hazards to people and the environment, reducing the environmental impact of our company operations and products, regular monitoring to ensure we are compliant with relevant laws and Acer standards, and ensuring Acer staff enjoy a comfortable environment and attach importance to health and safety precautions. In 2015, we expanded the operation sites in Taiwan with ISO 14001 and OHSAS 18001 certifications.

2. Working Environment and Employee Safety

Acer cares about the working environment where employee's safety and health would largely depend on. In 2015 we conducted a series of improvements, including water filtration system, drinking water quality, indoor air quality; strengthen the computer room and warehouse safety. Acer also implemented environment, health and safety management system and conducted office sites hazards identification. We then improved items with significant risks to lower the hazards.

3. Emergency Accident Operation

Acer has established its own emergency operation procedures in the events of fire, earthquake, typhoon, power failure, water supply failure, contagious disease and other major accidents. In the fire safety aspect, we have organized a self-protection firefighting team by the employees and their main duties are to extinguish the fire at the initial stage, evacuate the rest of the employees when necessary and reduce possible damage from the accidents.

In 2015, we implemented two hours of labor safety and health e-learning course, which was then approved by the Ministry of Labor Occupational Safety and Health Department. The course covers four units including traffic safety, fire safety, office safety, and employee health care. With the lively interactive features and the practical design it offers, the course system led colleagues to learn and to raise awareness of health and safety.

4. Employee Health

Acer always cares about the health of colleagues. We keep promoting health management and promotion. In 2014, we were honoured with "Badge of Accredited Healthy Workplace" by Ministry of Healthy Welfare. In 2015, Acer's breast feeding room has been evaluated as excellent class by New Taipei City government.

In order to implement health management, we set up the Health Management Center and offer health check conducted by medical organizations. According to the result of health check, we grade the employees into several health levels which enable us to track major abnormal cases, provide further care and assistance to ill colleagues.

We cooperated with Cathay General Hospital to offer lessons for promoting smoking cessation and weight loss. We also held a series of health seminars and provided a variety of recreational facilities in the employee recreation area including table tennis, basketball shooting machine, video game consoles and electronic massage chairs to help to relieve stress.

To enrich the lives of our employees, Acer encourages employees to participate in a variety of clubs and has established the Acer Sports Team to encourage colleagues to join a variety of sporting events, including sports competitions such as the New Taipei City Wan-Jin-Shi Marathon and the Acer Climbing Race. In 2015, a total of 1,657 colleagues and their families participated in these activities.

6.2 Supply Chain Management

We treat our top suppliers from all parts of the globe with consistent fairness in order to achieve efficient global operations and partnerships and to provide clients with high quality products. We also strive to ensure that a safe working environment is provided throughout the supply chain, that employees are treated with dignity and respect, and that suppliers observe ethical codes and shoulder their environmental responsibilities throughout their business operations. We will continuously investigate the necessary responses to sustainability issues with a positive attitude and from a broad perspective so as to increase the positive effect of the supply chain on society and the environment.

Acer applied to the Electronic Industry Citizenship Coalition (EICC) in May 2008 basing on which developed Acer Supplier Code of Conduct. We believe the EICC Code of Conduct can unify the rules of compliances across the industry-wise, enhance suppliers' capacity of human rights, health, safety, environment, ethics, and social responsibility in the supply chain. Acer first tier suppliers had been requested to sign Acer Supplier Code of Conduct Declaration. Moreover, Acer continues to audit supplier performance in terms of social and environmental responsibility to identify supplier non-compliance in the fields of environmental and social responsibility. We conducted 71 audits of our supply chain in 2015. Between 2008 and 2015 we conducted a total of 352 supplier audits. Acer has taken multiple actions to verify the absence of forced labor, slavery and human trafficking in supply chain, including supplier risk assessment, declaration, on-site audit and training etc.

On the issue of conflict minerals, we adopt EICC/GeSI Due Diligence Template tool to identify the smelters in their supply chain that supply tantalum, tin, tungsten and gold. Acer suppliers must conduct their operations in a socially and environmentally responsible way. Acer's Policy on Conflict Minerals outlines our commitment to ensuring that working conditions in our supply chain are safe and that workers are treated with respect and dignity, while sourcing minerals from the Great Lakes Region:

- Conduct due diligence in accordance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;
- Require suppliers to conduct due diligence in accordance with OECD Guidance and provide routine reporting using the tools developed by the Conflict Free Sourcing Initiative to enable supply chain transparency;
- Co-work with its supply chain, industry groups (Conflict Free Sourcing Initiative), government, civil society, and other organizations (OECD Multi-Stakeholder Forum on due diligence in the tin, tantalum, tungsten (3Ts) and gold supply chains & Public-Private Alliance for Responsible Minerals Trade) to develop supply of conflict-free products when sourcing metals that originate in the DRC and adjoining countries;
- Seek to support organizations that focus on peace negotiations in the DRC and neighboring countries, a responsible and sustainable minerals trade, and diverse and stable economies; and
- Publicize Acer's progress on due diligence works and our path towards conflict-free products.

We also join the "Implementation Programme of the Supplement on Gold to OECD Due Diligence Guidance for Responsible Supply Chains". In 2013, Acer joined the Public- Private Alliance (PPA) for Responsible Minerals Trade. In 2015, we evaluated our third full cycle of Conflict Mineral Reporting Template responses that were collected from our suppliers in 2014. We also began publishing a Smelter List with the name and location of the smelters/refiners of tantalum, tin, tungsten, and gold that was identified in our supply chain as part of Acer's conflict minerals due diligence efforts. In the meantime, we continuously released Acer's 2014 Conflict Minerals Report, which provides our due diligence efforts conducted during the 2014 calendar year and planned for We developed our vendor CSR scorecard, to be used to investigate suppliers' performance in regard to CSR. The hope is that we will be able to gain an early insight into supply chain risks as concern the environment, society, and governance, and then help suppliers implement appropriate measures to mitigate or eliminate those risks. The vendor CSR scorecard was first put into use in 2013. In 2014, the results of this scorecard was presented

in the business review meetings of selective major suppliers, hopefully gradually creating a motivator for improvement on both sides. In 2015, the CSR scorecard was presented in more supplier business review meetings.

6.3 Communication

6.3.1 Communication with Stakeholders

Acer is positioned to be a global citizenship among its stakeholders. With that in mind, we endeavor to understand stakeholder's opinions and recommendations, and build a good communication channel with them to ensure mutual understandings and respects. Stakeholders are defined as consumers, investors, suppliers, media, Non-governmental Organizations (NGOs), government, community, academia, trade organizations and others. In addition to CSR performance disclosure for stakeholders on all fronts via Acer's designated Acer Sustainability webpage.

6.3.2 Supplier CSR Communication Meeting

Since 2009 Acer has held the CSR communication meeting with suppliers annually. We held the 7th supplier CSR communication meeting in December 2015 to share the CSR performance, CSR trend and Acer CSR directions. We also invited the Labour Education and Service Network (LESN) to elaborate the issue of student workers.George Huang, Acer's Chairman, awarded for suppliers with excellent CSR performance and urged suppliers to take corporate social and environmental responsibility, and thanked suppliers to cooperate with Acer to become global citizenship.

6.3.3 Customer Relations

Acer has always followed a quality policy of "Delivering zero-defect, competitive products and services on time" and adheres to the concept of "Serve with honor and work with pride" in providing professional products and services. Acer designs and conducts regular customer satisfaction surveys tailored to each region to get customer feedback and work on the area that need improvement to enhance the quality of customer service.

In addition, we also establish a complete globalized service structure in all major localized service sites and design different service programs for variety of customers and retailers. Consumers and corporate customers can communicate with us through multiple channels including:

(1) Global web site download and actively update service

(2) Call center support center / technical support

(3) Direct service center

(4) Authorized service center and professional system repair company

(5) International Traveler Warranty service center

(6) Acer Web Master

(7) Facebook and Acer community

We are committed to the protection of customers confidential information and strictly follow Acer's privacy policies to request all Acer employee must protect customers' confidential information and private data with cautious; we also implement data protection and security related tool to protect customers personal data in the products. In the same time, a dedicate mail account is set up to handle all escalation of privacy protection related case. All of our service engineers have signed a non-disclosure agreement and prior to any actual repair, our service staff will provide the customer with a maintenance service list to the customer to decide if any private information need to be deleted or removed and store in another hard drive or memory drive to prevent confidential information from being compromised.

6.4 Community Involvement

6.4.1. Acer Volunteer Team

The Acer Volunteer Team was established in 2004 for the purpose of giving employees a channel to contribute their spare time and energy to public welfare service. Apart from providing opportunities for interaction and friendship between employees from different departments and backgrounds, the volunteer service also bring Acer employees new life experiences and personal growth through the activities. The focused areas of the Volunteer Team include digital inclusion, charity and philanthropy, international volunteer work, and environmental conservation. In 2014, the Volunteer Team organizes a variety of charity activities including money donations, blood donations, carbon emission reductions, overseas volunteering service, after-class guidance for the children from the disadvantaged families, caring program for the lonely elders, low income family, serious patients and more.

6.4.2 Acer Foundation

Acer Foundation is committed to promote digital opportunity since its establishment. The Acer Digital Mobile Vans continue to enhance digital competitiveness of the underprivileged in Hualien and Yilan since the project launched in 2010; in 2014, Acer further expanded the scope to cover Taitung County. The mobiles were equipped with the notebooks and ICT technology and can go to the communities to deliver computer classes upon application. By this way, people can have more opportunities to learn computer and thus increase their digital competiveness which can better their lives.

Meanwhile, Acer Foundation continues to hold the Dragon Smile Contest and Acer Digital Arts Award to encourage young students to unleash the innovation energy.

To promote the development and application of technology and with the vision of fostering the young leaders of the next generation, Acer Foundation sponsored several international campaigns such as IOI (International Olympiad in Informatics) and AIESEC (Association Internationale des Étudiants en Sciences Économiques et Commerciales) in 2014.

6.5 Enforcement of Corporate Social Responsibility by the Company

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
1.Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	✔		Acer's CR policy states: 1. We strive to meet the expectations of our stakeholders – a goal we endeavor after continuously. And we will persist in improving our day-to-day operations, establishing better communications with our stakeholders and gaining market recognition and support. 2. We will take a top-down approach, where our highest leadership will be in charge of promoting the CSR, as well as mapping out feasible action plans for marketing our products and services. 3. We will effectively monitor and manage the risks derived from sustainability-related issues through our regional and branch offices, thus making use of inherent opportunities. 4. We will work side by side with our suppliers to promote business ethics, minimize climate risk, and improve resource efficiency. We formulate the action plans based on the corporate social responsibility policy and regularly review the performance. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(2) Is there any training about Corporate Social Responsibility (CSR) conducted regularly?	✔		Acer conducts Corporate Social Responsibility (CSR) training according to planned schedule. In 2014, the CSR trainings includes: • Green product training • EICC training • GHG training • Acer's management system on environment safety, and health • Facet analysis of significant environmental impact • ISO 14001/ OHSAS 18001-- regulations and implementation	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(3) Does the company establish exclusively (or concurrently) dedicated units to be in charge the corporate social responsibility policies and report to the Board of Directors?	✔		In the spring of 2008, to materialize the implementation of our social responsibility, we set up the Corporate Sustainability Office (CSO). Then we established the Global CSR Committee (GCSRC) in 2012. The GCSRC primarily consists of senior managers of the major business units, functional units, the three global regions and the CSO. In order to effectively liaise and integrate with all overseas bases worldwide, we have established Regional Office (RO) CSR executive secretarial positions to represent the regions at Committee meetings. To carry out Acer CSR agendas and achieve our CSR promises in a systematic, feasible and organized way in accordance with Acer's core value, the chairman of GCSRC reports to CSR Executive Committee regularly. Besides, authorized by the Board of Directors, the Audit Committee is responsible for the opportunities and risks related to Acer's corporate responsibility, and the manager of the Corporate Sustainability Office also reports to the Audit Committee. Please view Acer Corporate Responsibility Report for details.	No discrepancy
(4) Have the critical factors of corporate social responsibility been clearly articulated in the performance appraisal system, with fair and effective rewarding or penalty system followed?	✔		Acer promulgates Standards of Business Conduct (SBC) as the guidelines to regulate the employees' behavior in doing business. It is essential for each employee to abide by SBC. We require a new employee attend the training, emphasizing the importance of abiding by the regulations. The standards of SBC --- the core essence of CSR in doing business----- are built-in Acer's performance appraisal system, which helps managerial staff to monitor the status of exercising the regulations. For any behavior that violates the regulations of SBC, the disciplinary actions will be taken, including an employment dismissal.	No discrepancy
2. Fostering a Sustainable Environment				
(1) Does the company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✔		Acer strives to lower the environmental impacts of our operation and products, and keeps improving the efficiency of resource usage. The major achievements of 2015 include: a. Use of Post-Consumer Recycled Plastics In 2014, Acer continued to expand the use of recycled plastic materials in B6 & V6 display new models and All-in-One desktop PCs (VZ2120G and VZ2120G). b. Use of recycled paper in packaging For the inner cushioning of the cartons, we have substituted folded cardboard with molded pulp in 2013 for 70% of our new notebook models, with the amount of recycled paper used increasing from 80% to 92%. In 2015, the percentage of notebook models packaged with molded pulp has reached 90%.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✔		Acer adopted international standards ISO 14001 to establish the environmental management system and keep maintaining the validity of the Certificate. We also adopted OHSAS 18000 for our occupational health and safety management.	No discrepancy
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction?	✔		Acer identifies and assesses the risk and opportunities coming along with the climate change, and joining international organization such as Carbon Disclosure Project Supply Chain Program and Electronic Industry Citizenship Coalition. We assisted suppliers to gradually enhance their overall capacity regarding climate change, carbon reduction and energy efficiency and to reach our mid-term and long-term carbon reduction target which compared with 2009; in 2015 Acer's global GHG emissions will reduce by 30%, Compared to 2009, and will fulfill the 60% reduction between 2009 and 2020.	No discrepancy
3. Preserving Public Welfare				
(1) Are there any human right policies or processes formulated in the company in response to the request of International Bill of Human Rights?	✔		The Standards of Business Conduct requires each site of Acer worldwide follow the principles of labor rights, which are both internationally or locally-regulated, including general labor laws, equal opportunity and transparency in recruitment process, with no discrimination of race, gender, age, religion, or nationality, in pursuit of our value emphasizing that right man should be in the right position. Besides, employing a child labor is forbidden. We have sound human resources management systems, for example, clear employment contracts, work rules, or human resources regulations, to ensure the legitimate rights and benefits of an employee being well-protected.	No discrepancy
(2) Are there any complaint channels created for employees, and are the complaints properly handled?	✔		Acer builds up an open and transparent channels for collecting complaints, where there is no interested parties or persons involved in the process, to ensure the fairness in the review process. The window of receiving the complaints can be the highest level managers of auditing systems, human resources or legal units, depending on the subject of complaints. The privacy shall be strictly protected during the complaint handling process.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(3) Does the company provide safe and healthy work environments for its employees, and organizes training on safety and health for its employeeson a regular basis?	✔		In order to build a good working environment and ensure colleague health and safety, the Acer Taiwan headquarters has launched an ESH (Environment, Safety, and Health) management system. The ESH management group is comprised of 44 members. In addition to regularly organizing meetings to discuss issues relating to ESH, the team also carries out an annual workplace hazard identification, considers environmental impact and proposes improvements for significant risk, high-impact projects. In order to continue to increase employee safety awareness in the workplace and strengthen health and hygiene concepts, Acer Taiwan has held the Education and Training for General Labor Safety and Health since 2011 in accordance with CLA Rules on Education and Training of Labor Safety and Health and the requirements of the OHSAS 18001 standards. Pleases refer to the section of "Improving Hardware and Software Facilities" and "Health and Safety Training" in 2014 Acer CR Report for detailed information.	No discrepancy
(4) Does the company build up sound communication channels and employ the appropriate methods to inform the employees of the possible significant impacts?	✔		Acer attaches great importance to employees' opinions, and therefore strives to ensure communication channels open and candid, including the announcement of critical messages, dedicated hotlines of internal services, communication meetings across multiple-layers of managers, employee opinion survey, employees' complaint channels. Besides, the Employee Representative Meeting is held by on quarter basis, where Corporate President & CEO has a face-to-face communication with employee representatives, discussing about company's business operation, work environment, and employees' rights. For any consensus reached, the essential or corrective actions will be taken.	No discrepancy
(5) Does the company have effective career development plans for employees?	✔		Acer provides a variety to training targeting to the requirements of new employees, staff in a variety of specialized functions, managerial staff, or general audience. All of the trainings will direct to meet the needs of organization development and employee growth, which facilitates to employees' career and competency growth to the fullest.	No discrepancy

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Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(6) Does the company establish policies on consumer rights and provides grievance mechanism regarding its development and research, procurement, production operation and services?	✔		Acer customers can contact us at any time and provide comments and suggestions through any one of the channels listed below: • Network download and support services • Telephone service support center/ technical support • Acer-managed service centers • Authorized service centers and professionalmaintenance companies • International travelers' warranty service centers • Acer Web Master (procedures and mechanism for handling customer complaints) • Facebook and Acer Community We also set up the email whistleblower@acer.com for all stakeholders to report any issue regarding our operation such as research and development, procurement, production, and service.	No discrepancy
(7) Does the company comply with the law and international regulations on marketing and labeling of its product and service?	✔		Acer holds firmly to the principles of integrity, transparency, proactiveness, timeliness, and regularity, and carries out marketing communication with consumers and partners, in compliance with local laws and regulations, through the corporate website, subsidiary websites, advertising, product exhibitions, press conferences, and sponsorship of activities. In these ways the Company communicates information on its corporate ideals, products, and services. All Acer products and services carry required labeling and product information in accordance with the law. Manuals for Acer products include guidelines for safe usage, laying out proper usage of the product and relevant items to be aware of, as well as recycling measures for when replacing a product. Consumers will also find details on how to contact Acer and how to find our website, further facilitating troubleshooting via telephone or online customer service.	No discrepancy
(8) Has the company assessed the suppliers' records for the impact on the environment and society?	✔		We conduct the environmental and social assessment for the suppliers that we have business relationship. Please view Acer Corporate Responsibility Report for details.	No discrepancy

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	
(9) The company contracts with its major suppliers, such as whether to include supplier when it comes to violations of its corporate social responsibility policy, and there is a significant impact on the environment and society, may at any time terminate or cancel the terms of the contract?	✔		Under our current-existing supply agreements with main suppliers, it contains provisions of compliance of laws and relevant Corporate Social Responsibility regulations such as the Electronic Industry Code of Conduct ("EICC"). In the event that a supplier breaches to the above-mentioned provisions, we are entitled to exercise any and all rights given by the supply agreements, including without limitation, the right to terminate such supply agreement.	No discrepancy
4. Enhancing Information Disclosure				
(1) Does the company disclose the relevant and reliable information relating to their corporate social responsibility in the website and the Market Observation Post System?	✔		We disclose our CSR information and CR report on the below website: http://www.acer-group.com/public/Sustainability/index.htm	No discrepancy

5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation:

To boost Acer's overall competitiveness, fulfill its corporate responsibility in the social, economic and environmental aspects, and make Acer a leading brand-name in the history, the Standards of Business Conduct (SBC) were revised and promulgated in 2009 that serve as behavioral guidelines to Acer global employees providing them principles of conducting business at worldwide. These guidelines no only protect Acer's global business interest in a legitimate manner but also help to enhance its service quality for customers, partners, and the communities. We also establish Antitrust and Fair Competition Guidelines, Regulations on Insider Trading, Rules Governing Management of Personal Data, and Subject Regulations of Prevention, Complaint and Punishment of Sexual Harassment to bring the practice of corporate responsibility into our daily operation.

6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices:

More information can be found at:

1. Acer Sustainability website: http://www.acer-group.com/public/Sustainability/index.htm
2. Acer Foundation website: http://www.acerfoundation.org.tw/english/index.php

Assessment Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary Description	

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below:

Acer engaged KPMG to perform an independent limited assurance in accordance with ISAE 3000 on this Report, of which GRI G4 Core option was applied.

7

Financial Standing

7.1 Five-Year Consolidated Financial Information

7.1.1 Five-Year Balance Sheet

Consolidated Balance Sheet under International Financial Reporting Standards ("IFRS")

Unit: NTD Thousand

Item \ Period		2012	2013	2014 (Restated)	2015	Current year as of Mar. 31, 2016
Current assets		169,029,413	147,088,855	150,885,170	132,949,777	117,268,385
Net property, plant and equipment		6,348,237	6,133,729	5,484,061	4,827,412	4,739,461
Intangible assets		39,134,920	28,720,088	26,727,547	26,609,427	25,890,418
Other assets		11,803,578	8,557,038	7,998,259	7,355,587	7,919,719
Total assets		226,316,148	190,499,710	191,095,037	171,742,203	155,817,983
Current Liabilities	Before Distribution	142,828,987	113,688,491	117,755,891	102,576,092	87,223,285
	After Distribution	142,828,987	113,688,491	117,755,891	Un-appropriated	Un-appropriated
Long-term liabilities		9,283,141	20,559,849	12,709,296	3,311,010	3,318,050
Total Liabilities	Before Distribution	152,112,128	134,248,340	130,465,187	105,887,102	90,541,335
	After Distribution	152,112,128	134,248,340	130,465,187	Un-appropriated	Un-appropriated
Equity attributable to owners of the Company		74,201,686	56,248,981	60,627,593	65,852,731	65,273,685
Common stock		28,347,268	28,347,268	27,965,678	30,854,428	30,854,428
Capital surplus		43,403,533	43,707,727	34,098,396	36,232,755	36,232,755
Retained Earnings	Before Distribution	12,028,067	(8,325,852)	903,649	1,451,899	1,498,006
	After Distribution	12,028,067	0	903,649	Un-appropriated	Un-appropriated
Other reserves		(3,522,896)	(1,425,876)	845,908	228,505	(396,648)
Treasury Stock		(6,054,286)	(6,054,286)	(3,186,038)	(2,914,856)	(2,914,856)
Non-controlling interests		2,334	2,389	2,257	2,370	2,963
Total equity	Before Distribution	74,204,020	56,251,370	60,629,850	65,855,101	65,276,648
	After Distribution	74,204,020	56,251,370	60,629,850	Un-appropriated	Un-appropriated

Consolidated Balance Sheet under Statements of Financial Accounting Standards ("SFAS")

Unit: NTD Thousand

Item \ Period		2011	2012
Current assets		195,729,745	170,840,056
Fund and Long-term equity investments		3,795,462	3,449,711
Net property, plant and equipment		6,938,898	6,572,348
Intangible assets		35,404,199	39,316,838
Other assets		6,439,424	6,480,041
Total assets		248,307,728	226,658,994
Current Liabilities	Before Distribution	146,039,649	143,018,437
	After Distribution	146,039,649	143,018,437
Long-term liabilities		24,281,583	4,755,200
Other liabilities		2,234,881	3,853,206
Total Liabilities	Before Distribution	172,556,113	151,626,843
	After Distribution	172,556,113	151,626,843
Common stock		27,098,915	28,347,268
Capital surplus		40,219,518	44,096,498
Retained Earnings	Before Distribution	19,049,268	16,138,942
	After Distribution	19,049,268	16,138,942
Unrealized Gain (loss) on Financial assets		(630,621)	(904,176)
Translation adjustments		(3,580,136)	(5,655,033)
Minimum Pension Liability adjustment		(16,993)	(331,754)
Treasury Stock		(6,390,846)	(6,662,028)
Minority Interest		2,510	2,434
Stockholders' Equity	Before Distribution	75,751,615	75,032,151
	After Distribution	75,751,615	75,032,151

7.1.2 Five-Year Consolidated Income Statement

Consolidated Income Statement under International Financial Reporting Standards ("IFRS")

Unit: NTD Thousand

Item \ Period	2012	2013	2014	2015	Current year as of Mar. 31, 2016
Revenue	429,627,192	360,132,042	329,684,271	263,775,202	56,315,625
Gross profit	35,222,038	22,550,266	28,942,184	24,884,122	6,671,121
Operating (loss) income	938,497	(11,409,666)	2,707,665	938,608	866,424
Non-operating income and loss	(3,209,396)	(9,654,070)	(93,246)	(92,051)	(789,482)
Income (loss) before taxes	(2,270,899)	(21,063,736)	2,614,419	846,557	76,942
Income (loss) from Continued segment	(2,460,958)	(20,519,349)	1,790,584	603,795	46,123
Income (loss) from Discontinued segment	0	0	0	0	0
Net income (loss)	(2,460,958)	(20,519,349)	1,790,584	603,795	46,123
Other comprehensive income (loss) for the year, net of taxes	(2,810,851)	2,262,505	2,438,464	(829,149)	(628,323)
Total comprehensive income (loss) for the year	(5,271,809)	(18,256,844)	4,229,048	(225,354)	(582,200)
Net income (loss) attributable to shareholders of the Parent	(2,461,098)	(20,519,428)	1,790,690	603,680	46,107
Net income (loss) attributable to non-controlling interests	140	79	(106)	115	16
Total comprehensive income (loss) attributable to Shareholders of the Company	(5,271,735)	(18,526,899)	4,229,180	(225,467)	(582,793)
Total comprehensive income (loss) attributable to Non-controlling interests	(74)	55	(132)	113	593
EPS	(0.90)	(7.54)	0.66	0.20	0.02

Consolidated Income Statement under Statements of Financial Accounting Standards ("SFAS")

Unit: NTD Thousand

Item \ Period	2011	2012
Revenue	475,258,118	429,510,913
Gross profit	38,522,725	43,195,744
Operating (loss) income	(6,480,072)	1,024,706
Non-operating Income and gains	1,560,430	1,984,494
Non-operating expenses and loss	2,510,688	5,642,904
Continuing operating income before tax	(7,424,330)	(2,633,704)
Income(Loss) from Discontinuned segment	0	0
Extraordiniary Items	0	0
Cumulative Effect of changes in accounting principle	0	0
Net income (loss)	(6,601,968)	(2,910,326)
EPS	(2.52)	(1.07)

7.1.3 CPAs' and Auditors' Opinions

Year	Name of CPA(s)	Auditors' Opinion
2011	Huei-Chen Chang, Wei-Ming Shih	Unreserved
2012	Huei-Chen Chang, Wei-Ming Shih	Unreserved
2013	Huei-Chen Chang, Wei-Ming Shih	Unreserved
2014	Tzu-Chieh Tang, Wei-Ming Shih	Unreserved
2015	Tzu-Chieh Tang, Wei-Ming Shih	Modified Unqualified

7.2 Five-Year Financial Analysis

Financial Analysis under International Financial Reporting Standards ("IFRS")

Item \ Period			2012	2013	2014	2015	Current year as of Mar. 31, 2016
Financial Ratio	Total liabilities to total assets(%)		67.21	70.47	68.27	61.65	58.11
	Long-term debts to fixed assets(%)		1,315.12	1,252.28	1,337.31	1,432.78	1,447.31
Ability to Payoff Debt	Current ratio(%)		118.34	129.38	128.13	129.61	134.45
	Quick Ratio(%)		86.30	95.39	94.52	93.45	96.68
	Interest protection		(1.51)	(22.16)	5.01	3.49	1.93
Ability to Operate	A/R turnover (times)		5.59	5.50	5.44	4.91	4.94
	A/R turnover days		65.30	66.36	67.09	74.33	73.89
	Inventory turnover (times)		9.47	8.56	8.33	6.76	6.19
	A/P turnover (times)		5.06	5.32	5.47	4.90	5.32
	Inventory turnover days		38.54	42.64	43.81	53.99	58.97
	Fixed assets turnover (times)		64.90	56.90	56.76	51.16	47.09
	Total assets turnover (times)		1.81	1.73	1.73	1.45	1.38
Earning Ability	Return on assets(%)		(0.72)	(9.49)	1.22	0.49	0.28
	Return on equity(%)		(3.30)	(31.46)	3.06	0.95	0.28
	To Pay-in Capital (%)	Operating income	3.31	(40.25)	9.68	3.04	11.23
		PBT	(8.01)	(74.31)	9.35	2.74	1.00
	Net income ratio(%)		(0.57)	(5.70)	0.54	0.23	0.08
	EPS(NTD)		(0.90)	(7.54)	0.66	0.20	0.02
Cash Flow(%)	Cash flow ratio		0.80	(7.61)	4.78	(0.84)	(3.28)
	Cash flow adequacy ratio		85.09	102.96	53.18	18.83	(82.81)
	Cash reinvestment ratio		2.25	(15.60)	10.33	(1.71)	(5.63)
Leverage	Operating leverage		38.68	(1.99)	10.65	25.94	7.07
	Financial leverage		27.28	0.93	1.32	1.57	1.11

1. Financial Ratio

(1) Total liabilities to total assets=Total liabilities/Total assets

(2) Long-term funds to Net property, plant and equipment=(Net equity+Long term debts)/Net property, plant and equipment

2. Ability to Pay off debt

(1) Current ratio=Current Assets/Current liability

(2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liability

(3) Interest protection=Net income before income tax and interest expense/Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover=Net sales/the average of account receivable (including account receivable and notes receivable from operation) balance

(2) A/R turnover day=365/account receivable turnover

(3) Inventory turnover=Cost of goods sold/the average of inventory

(4) Account payable (including account payable and notes payable from operation)turnover=Cost of goods sold/the average of account payable(including account payable and notes payable from operation)balance

(5) Inventory turnover day=365/Inventory turnover

(6) Net property, plant and equipment turnover=Net sales/Average Net property, plant and equipment

(7) Total assets turnover=Net sales/Average Total assets

4. Earning Ability

(1) Return on assets=[PAT+Interest expense×(1-Tax rate)]/the average of total assets

(2) Return on equity=PAT/the average of total equity

(3) Net income ratio=PAT/Net sales

(4) EPS =(Earning attributable to shareholders of the Company -Dividend from prefer stock)/weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio=Cash flow from operating activities/Current liability

(2) Cash flow adequacy ratio=Most recent 5-year Cash flow from operating activities=Most recent 5-year (Capital expenditure+the increase of inventory+cash dividend)

(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend)/(Gross property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue-variable cost of goods sold and operating expense)/operating income

(2) Financial leverage=Operating income/(Operating income-interest expenses)

Acer Incorporated 2015 Annual Report
Financial Standing

Five-Year Financial Analysis under Statements of Financial Accounting Standards ("SFAS")

Item \ Pariod			2011	2012
Financial Ratio	Total liabilities to total assets (%)		69.49	66.90
	Long-term debts to fixed assets(%)		1,473.84	1,272.61
Ability to Payoff Debt	Current ratio (%)		134.03	119.45
	Quick Ratio (%)		102.13	86.52
	Interest protection		(6)	(2)
Ability to Operate	A/R turnover (times)		5.11	5.65
	A/R turnover days		71	65
	Inventory turnover (times)		10.75	9.27
	Inventory turnover days		34	39
	A/P turnover (times)		4.95	4.95
	Fixed assets turnover (times)		68.49	65.35
	Total assets turnover (times)		1.91	1.89
Earning Ability	Return on assets (%)		(2.18)	(0.94)
	Return on equity (%)		(7.77)	(3.86)
	To Pay-in Capital %	Operating income	(23.91)	3.61
		PBT	(27.40)	(9.29)
	Net income ratio (%)		(1.39)	(0.68)
	EPS(NTD)		(2.52)	(1.07)
Cash Flow (%)	Cash flow ratio		4.14	0.41
	Cash flow adequacy ratio		59.10	78.63
	Cash reinvestment ratio		(4.81)	1.17
Leverage	Operating leverage		(4.95)	33.22
	Financial leverage		0.87	5.05

1. Financial Ratio

(1) Total liabilities to total assets = Total liabilities/Total assets

(2) Long-term funds to fixed assets = (Net equity+Long term debts) / Net fixed assets

2. Ability to Pay off debt

(1) Current ratio = Current Assets / Current liability

(2) Quick ratio = (Current assets-Inventory-Prepaid expenses) / Current liability

(3) Interest protection = Net income before income tax and interest expense / Interest expense

3. Ability to Operate

(1) Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the average of account receivable (including account receivable and notes receivable from operation) balance

(2) A/R turnover day = 365 / account receivable turnover

(3) Inventory turnover = Cost of goods sold / the average of inventory

(4) Account payable (including account payable and notes payable from operation)turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance

(5) Inventory turnover day = 365 / Inventory turnover

(6) Fixed assets turnover = Net sales / Net Fixed Assets

(7) Total assets turnover = Net sales / Total assets

4. Earning Ability

(1) Return on assets = [PAT+Interest expense×(1-Tax rate)] / the average of total assets

(2) Return on equity = PAT / the average of net equity

(3) Operating income on pay-in capital ratio = Operating income / pay-in capital

(4) PBT on pay-in capital ratio = PBT / pay-in capital

(5) Net income ratio = PAT / Net sales

(6) EPS =(PAT- Dividend from prefer stock) / weighted average outstanding shares

5. Cash Flow

(1) Cash flow ratio = Cash flow from operating activities / Current liability

(2) Cash flow adequacy ratio = Most recent 5-year Cash flow from operating activities / Most recent 5-year (Capital expenditure + the increase of inventory + cash dividend)

(3) Cash reinvestment ratio=(Cash flow from operating activities-cash dividend) / (Gross fixed assets+long-term investment+other assets+working capital)

6. Leverage

(1) Operating leverage=(Net revenue-variable cost of goods sold and operating expense)/operating income

(2) Financial leverage=Operating income/ (Operating income-interest expenses)

Acer Incorporated 2015 Annual Report
Financial Standing

7.3 Audit Committee Review Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. The CPA Tzu-Chieh Tang and Wei- Ming Shih from KPMG were retained to audit Acer's Financial Statements and have issued an audit report relating to the Financial Statements. The said Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee of Acer Incorporated in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report.

Acer Incorporated

Convener of the Audit Committee: F.C. Tseng

March 23, 2016

7.4 Financial Statements Consolidated Subsidiaries Audited by CPAs of the Past Year

Please refer to Appendix.

7.5 Disclosure of the Impact on Company's Financial Status Due to Financial Difficulties

Not applicable.

7.6 Financial Prediction and Achievements

7.6.1 Financial Forecast of Year 2015

Not applicable.

8

Risk Management

8.1 Recent Annual Investment Policy and Main Reasons of Gain or Loss and Improvement Plan

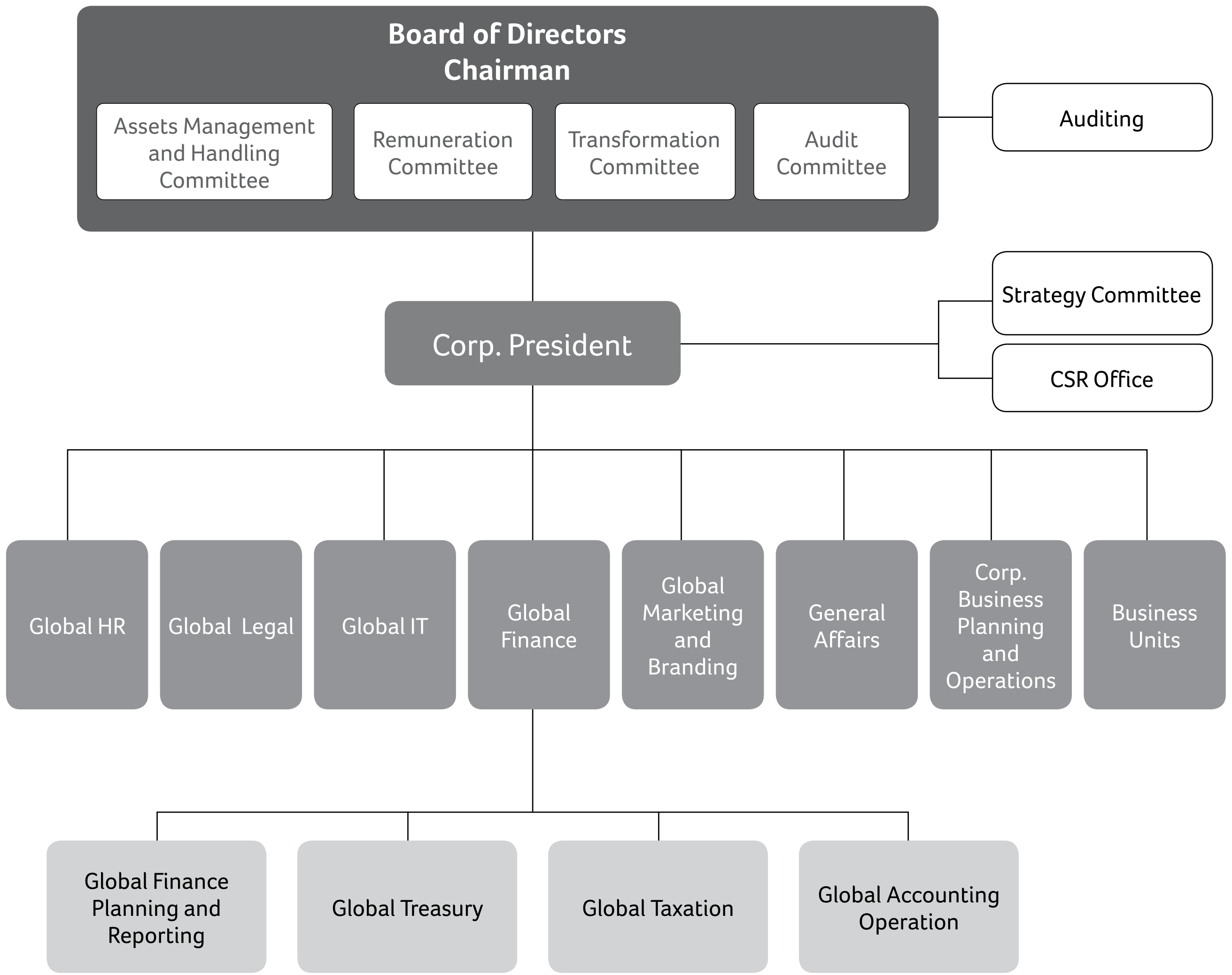
Unit: NTD Thousand

Item \ Description	Amount	Business Type	Year 2015 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer European Holdings Limited	18,031,376	Sales and Maintenance of "Acer" brand-name information technology products	(1,292,954)	Due to the he operating loss for the market of EMEA	Enhance Russia and middle east's sales operation system.	NA
Acer Holdings International, Incorporated	9,108,114	Sales and Maintenance of "Acer" brand-name information technology products	229,709	Due to the operating gain for the market of AAP	NA	NA
Boardwalk Capital Holdings Limited	32,117,718	Sales and Maintenance of "Acer" brand-name information technology products	(922,709)	Due to the operating loss for the market of PA	To modify the operating model of ATB to improve profitability.	NA
Acer Worldwide Incorporated	273,166	Investing and Holding company	1,064	Increasing of Interest Income	NA	NA
E-TEN Information Systems Co., Ltd.	2,583,281	PDA manufacturing and sale	(128,236)	Loss on Operating activities	Expect to maintain business operation's profit by investing in new business and reasonable downsizing.	NA
Cross Century Investment Limited	1,149,127	Investing and Holding company	8,281	Recognized dividend income and gain on disposal of investment	NA	NA
Acer CyberCenter Services Ltd.	1,896,883	Data storage and processing company	103,100	Gain on Operating activities	NA	NA
Acer Greater China (B.V.I.) Corp.	5,872,557	Sales and Maintenance of "Acer" brand-name information technology products	125,998	Due to the operating gain for the market of GC	NA	NA

Item \ Description	Amount	Business Type	Year 2015 P&L	Main reason of Gain or Loss	The Plan for Improvement	Investment Plan for Next Year
Acer Softcapital Incorporated	1,209,699	Investing and Holding company	66,549	Recognized dividend income and gain on disposal of investment	NA	NA
Acer Digital Service Co., Ltd	1,728,741	Investing and holding companies	20,891	Recognized dividend income and other income	NA	NA
Weblink International Inc.	1,254,240	Sales and distribution of computer products and electronic communication products	42,442	Gain on Operating activities	NA	NA
Acer e-Enabling Service Business Inc.	234,539	Electronic data supply, processing and storage services	(16,206)	Recognized other investment loss	To extend business and expect to improve profitability	Capital injection in its subsidiaries XPL and XPLSH directly or indirectly
Acer Colud Technology(Chongqing) Ltd.	159,206	Design, development, sales, and advisory of computer software and hardware	(301)	Loss on Operating activities	Expect improvement of profitability through business extension.	NA
Acer Digital Services (B.V.I.) Holding Corp	(315,890)	Investing and Holding company	(67,563)	Loss on investment	To control the operating expenses of Investment Company actively	NA
Aegis Semiconductor Technology Inc.	6,599	Integrated circuit test service	0	NA	NA	NA
Bluechip Infotech Pty Ltd	68,459	Sale of peripheral and software system	2,559	Gain on Operating activities	NA	NA

8.2 Important Notices for Risk Management and Evaluation

Risk Management Organization



- For sound and strong corporate governance, the Board of Director determine the policy direction of the risk management; to cope with various operational risks, stipulate relevant policies and designate responsible units and in charge of administering progress of risk management performed by the committees and units underneath it, further strengthen internal management functions to enhance the effectiveness of risk management
- The head and top management of Business Units – oversee risk management activities with periodic monitoring and evaluation.
- Auditing – provide annual auditing plan; review the Company's internal execution and control of risk management
- CSR Office- responsible for sustainable risk identification and management, analyses various operational risk by different methods, which contains prospective risk management of social environmental issues, to develop follow-up management plan to mitigate the impact on the organization.
- Global HR- responsible for the implementation of human resources policies, including hiring, performance and compensation plan, organize, command, control and coordination, to achieve business development and goals and to create an organization system with great adaptability .
- Global Legal – review legal contracts and agreements; manage lawsuit and litigation affairs
- Global IT- responsible for the overall planning and construction of information systems and information security management.
- Global Finance-
  - ✔ Global Financial Planning and Reporting- responsible for business analysis and planning, financial Integration and investment management, to appropriate respond to relevant risk.
  - ✔ Global Treasury- is responsible for finance related planning, risk allocation and insurance composition.
  - ✔ Global Taxation- responsible for planning and co-ordination of international investment framework and tax risk planning, management and response.
  - ✔ Global Accounting Operations – oversee monetary transactions, ensure consistency with booking keeping and accuracy of financial reporting.
- Global Marketing and Branding- responsible for brand management and public relations.
- General Affairs- responsible for ESH and the management of Group's assets and potential risk.
- Corp. Business Planning and Operations- responsible for business intelligence and market analysis, supply chain operational risk management, quality control and other risks for strategic planning, management and executive improvement.

For details on risk management, please refer to the Company's "2015 Risk Analysis and Evaluation Annual Reports".

8.2.1 Impact of Interest Rate, Exchange Rate and Inflation on Company's P&L and Future Strategy

1.Interest Rate Fluctuation

Due to slow recovery of economy in Eurozone and the expansion of QE policy, ECB is expected to keep negative interest rate to stimulate economic growth. In short term, the space for FED to raise interest rate is limited because of unstable economic indicators after hiking interest rate at the end of last year. Taiwan Central Bank believes that cutting interest rate would have positive impacts towards business cycle. Therefore, the period of monetary easing policy in Taiwan is expected to extend. Short-term TWD and foreign currency deposits remain to be the most common used instruments for Acer to optimize return while reducing risk.

2.Exchange Rate

Job market in Eurozone has become steady recently; however, along with the risk of 'British exit', EUR is expected to move within range. In terms of China, given the expectations of depreciated CNY and steady economic growth committed by Chinese officials, CNY would be moderate in this year. The monetary policies of major economies influence the stability of the currencies in emerging markets. Acer will maintain its strategy to meticulously hedge its foreign positions to minimize the impacts on earnings caused by foreign exchange rate fluctuations.

3.Inflation

Global economic growth is expected to be slightly positive than last year. However, monetary easing policy around the world (except US) and the uncertainty of oil price may keep global inflation rate being low, which is not beneficial towards economic expansion. Appropriate measures will be taken accordingly to minimize impacts on business operation if need.

8.2.2 How Corporate Image Change Affects Company's Risk Management Mechanism

The Company split off its manufacturing division at the end of year 2000 in order to focus on the design and marketing of IT products and services. The potential crises within manufacturing and marketing companies are very different, and the Company's crisis management now focuses on our global supply-chain and logistics. By outsourcing our manufacturing sector to multiple vendors and suppliers, the Company gained greater flexibility in inventory control and lowered risks compared to a single-vendor policy. With the ever-changing global economy, it is essential to be prepared for risks and challenges at all times. The Company's risk management team has a clear sense of crisis management and has taken the precautions where necessary. We have set up a crisis mechanism that will minimize potential damages to ensure the Company's sustainable management.

8.2.3 Predicted Benefits and Potential Risk to Company with Factory/Office Expansion

Not applicable.

8.2.4 Potential Risks to Company from the Consentration of Procurement and Sales

None

8.2.5 Affect on Company from Shares Transfers by Directors, Supervisors or Shareholders Holding More Than 10% Shares

Not applicable.

8.2.6 Impact and Potential Risks to Company Management Team Change

Not applicable.

8.2.7 The major litigious, non-litigious or administrative disputes that: (1) involve Acer and/or any Acer director, any Acer supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 %, and/or any company or companies controlled by Acer; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of this annual report shall be disclosed as follows

1. The status of the dispute as of the date of printing of this annual report:

   (1) Verwertungsgesellschaft Wort (VG Wort), a German language copyright association, has filed several lawsuits against PC companies for copyright levy due to the sale of PC products in Germany in recent years. Among the lawsuits, the outcome of litigation brought by VG Wort reached an agreement on PC levies for the disputed period. Acer has decided to participate in the application of the aforesaid agreement. Since Acer has properly accrued provisions based on development of this dispute, no immediate material adverse effect on the Acer's business operations and finance is foreseen.

   (2) Koninklijke Philips N. V., Sony Corp. and Pioneer Corp. have filed lawsuit against Acer Computer GmbH for infringing their patent by the DVD player software that embedded in Acer product. Acer has hired lawyers to handle the case and taken preventive measures by removing the software. The final result is still unpredictable; however, Acer has properly accrued provisions based on development of the aforesaid lawsuit and is keeping an eye on its status. Thus Acer foresees no immediate material adverse effect on the Acer's business operations and finance.

   (3) Acer from time to time receives notices from third parties asserting that Acer has infringed certain patents or demands Acer obtain certain patents licenses. Although Acer does not expect that outcome of the notices, individually or collectively, will have a material adverse effect on Acer's financial position or operation, given the outcome of legal proceedings are difficult to foresee, relevant settlements may affect Acer's result of operation or cash flow in a particular period.

2. In year 2015 and as of the date of printing of this annual report, any Acer director, supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10% were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.

3. In year 2015 and as of the date of printing of this annual report, any company or companies controlled by Acer were not involved in any material litigious, non-litigious or administrative disputes of which the result could materially affect shareholders' equity or the prices of Acer's securities.

8.2.8 Other Risks

None

Appendix

(English Translation of Financial Report Originally Issued in Chinese)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015 and 2014
(With Independent Auditors' Report Thereon)

安侯建業聯合會計師事務所
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Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)
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Internet 網址 kpmg.com/tw

Independent Auditors' Report

The Board of Directors
Acer Incorporated:

We have audited the accompanying consolidated balance sheet of Acer Incorporated (the "Company") and subsidiaries as of December 31, 2015, and their restated consolidated balance sheet as of December 31, 2014, and the related consolidated statements of comprehensive income, restated changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Acer Incorporated and subsidiaries as of December 31, 2015 and 2014, and the results of their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

As described in Note 3 of the consolidated financial statements, starting January 1, 2015, the Company and its subsidiaries prepared the consolidated financial statements in accordance with International Accounting Standards 19 "Employee Benefits" of 2013 Taiwan-IFRS version endorsed by the Financial Supervisory Commission. Consequently, the consolidated financial statements as of and for the year ended December 31, 2014 have been restated retrospectively.

We have also audited the parent-company-only financial statements of Acer Incorporated as of and for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified opinion and an unqualified opinion, respectively.

KPMG
CPA：Tzu Chieh, Tang

Taipei, Taiwan (the Republic of China)
March 24, 2016

Notes to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(in thousands of New Taiwan dollars)

Assets		**2015.12.31**	**2014.12.31 (Restated)**
Current assets:			
Cash and cash equivalents (notes 6(1) and (24))	$	44,621,527	47,558,651
Financial assets at fair value through profit or loss－current (notes 6(2) and (24))		791,575	1,899,626
Available-for-sale financial assets－current (notes 6(3) & (24))		93,313	146,479
Notes and accounts receivable, net (notes 6(4) & (24))		48,173,027	59,167,731
Accounts receivable from related parties (notes 6(4) & (24) and 7)		52,749	23,837
Other receivables (notes 6(5) & (24))		1,309,972	1,261,631
Other receivables from related parties (notes 6(24) and 7)		276	9
Current income tax assets		818,938	1,244,873
Inventories (note 6(6))		34,043,598	36,600,487
Other current assets		3,044,802	2,981,846
Total current assets		132,949,777	150,885,170
Non-current assets:			
Available-for-sale financial assets－non-current (notes 6(3) & (24))		3,159,771	3,859,807
Investments in associates (note 6(7))		155,992	142,461
Property, plant and equipment (note 6(8))		4,827,412	5,484,061
Investment property (note 6(9))		1,192,699	1,113,067
Intangible assets (note 6(10))		26,609,427	26,727,547
Deferred income tax assets (note 6(16))		838,146	1,018,564
Other non-current assets (note 6(15))		1,065,370	701,834
Other financial assets－non-current (notes 6(24) and 8)		943,609	1,162,526
Total non-current assets		38,792,426	40,209,867
Total assets	**$**	**171,742,203**	**191,095,037**

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(in thousands of New Taiwan dollars)

Liabilities and Equity	**2015.12.31**	**2014.12.31 (Restated)**
Current liabilities:		
Short-term borrowings (notes 6(11), (24) & (25))	$ 2,584,377	317,000
Financial liabilities at fair value through profit or loss－current (notes 6(2), (12), (24) & (25))	318,934	624,227
Notes and accounts payable (notes 6(24) & (25))	42,736,897	54,824,412
Accounts payables to related parties (notes 6(24) & (25) and 7)	10,285	13,961
Other payables (notes 6(21), (24) & (25) and 7)	38,793,970	42,165,243
Other payables to related parties (notes 6(24) & (25) and 7)	1,085	788
Current income tax liabilities	738,507	927,296
Provisions－current (note 6(13) and 9)	6,979,705	8,972,446
Current portion of bonds payable (notes 6(12), (24) & (25))	5,966,431	3,634,818
Current portion of long-term debt (notes 6(12), (24) & (25))	1,800,000	3,600,000
Other current liabilities	2,645,901	2,675,700
Total current liabilities	102,576,092	117,755,891
Non-current liabilities:		
Bonds payable (notes 6(12), (24) & (25))	-	5,880,437
Long-term debt (notes 6(12), (24) & (25))	-	3,600,000
Provisions－non-current (note 6(13) and 9)	94,946	127,752
Deferred income tax liabilities (note 6(16))	1,437,179	1,397,284
Other non-current liabilities (note 6(15))	1,778,885	1,703,823
Total non-current liabilities	3,311,010	12,709,296
Total liabilities	105,887,102	130,465,187
Equity (note 6(17)):		
Common stock	30,854,428	27,965,678
Capital surplus	36,232,755	34,098,396
Retained earnings:		
Legal reserve	93,166	-
Special reserve	838,498	-
Unappropriated earnings	520,235	903,649
Other reserves	228,505	845,908
Treasury stock	(2,914,856)	(3,186,038)
Equity attributable to shareholders of the Company	65,852,731	60,627,593
Non-controlling interests	2,370	2,257
Total equity	65,855,101	60,629,850
Total liabilities and equity	$ 171,742,203	191,095,037

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

(in thousands of New Taiwan dollars, except earnings per share data)

		2015	2014
Revenue (notes 6(20), 7 and 14)	$	263,775,202	329,684,271
Cost of revenue (notes 6(6), (10), (13) & (14), 7 and 12)		238,891,080	300,742,087
Gross profit		24,884,122	28,942,184
Operating expenses (notes 6(4), (8), (9), (10), (13), (14), (15), (17), (18) & (21), 7 and 12):			
Selling expenses		17,701,583	19,143,432
Administrative expenses		4,431,082	4,899,465
Research and development expenses		2,089,306	2,524,381
Total operating expenses		24,221,971	26,567,278
Other operating income and loss – net (note 6(14) & (22))		276,457	332,759
Operating income		938,608	2,707,665
Non-operating income and loss:			
Other income (note 6(23))		476,684	414,732
Other gains and losses – net (notes 6(12) & (23))		(228,810)	17,599
Finance costs (notes 6(12) & (23))		(340,454)	(651,206)
Share of profits of associates and joint venture (note 6(7))		529	125,629
Total non-operating income and loss		(92,051)	(93,246)
Income before taxes		846,557	2,614,419
Income tax expenses (note 6(16))		242,762	823,835
Net income		603,795	1,790,584
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss:			
Remeausrement of defined benefit plans (note 6(15))		(104,521)	(54,382)
Income tax benefit (expense) related to items that will not be reclassified subsequently to profit or loss (note 6(16))		12,130	(2,607)
		(92,391)	(56,989)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations (note 6(17))		252,979	1,445,638
Change in fair value of available-for-sale financial assets (note 6(17))		(990,360)	1,049,440
Income tax benefit related to items that may be reclassified subsequently to profit or loss (note 6(16))		623	375
		(736,758)	2,495,453
Other comprehensive income (loss) for the year, net of taxes		(829,149)	2,438,464
Total comprehensive income (loss) for the year	**$**	**(225,354)**	**4,229,048**
Net income attributable to:			
Shareholders of the Company	$	603,680	1,790,690
Non-controlling interests		115	(106)
	$	**603,795**	**1,790,584**
Total comprehensive income (loss) attributable to:			
Shareholders of the Company	$	(225,467)	4,229,180
Non-controlling interests		113	(132)
	$	**(225,354)**	**4,229,048**
Earnings per share (in New Taiwan dollars)(note 6(19)):			
Basic earnings per share	**$**	**0.20**	**0.66**
Diluted earnings per share	**$**	**0.20**	**0.63**

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2015 and 2014
(in thousands of New Taiwan dollars)

	Attributable to shareholders of the Company														
			Retained earnings				Other reserves								
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total	Treasury stock	Total	Non-controlling interests	Total equity
Balance at January 1, 2014	$ 28,347,268	43,707,727	10,012,168	6,126,774	(24,464,794)	(8,325,852)	(262,231)	(1,163,645)	-	-	(1,425,876)	(6,054,286)	56,248,981	2,389	56,251,370
Effects of retrospective restatements	-	-	-	-	(85,004)	(85,004)	-	-	85,004	-	85,004	-	-	-	-
Restated balance at January 1, 2014	28,347,268	43,707,727	10,012,168	6,126,774	(24,549,798)	(8,410,856)	(262,231)	(1,163,645)	85,004	-	(1,340,872)	(6,054,286)	56,248,981	2,389	56,251,370
Appropriation approved by the stockholders:															
Decrease in capital surplus to offset accumulated deficits	-	(8,325,852)	-	-	8,325,852	8,325,852	-	-	-	-	-	-	-	-	-
Decrease in legal reserve to offset accumulated deficits	-	-	(10,012,168)	-	10,012,168	-	-	-	-	-	-	-	-	-	-
Decrease in special reserve to offset accumulated deficits	-	-	-	(3,460,642)	3,460,642	-	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,666,132)	2,666,132	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in subsidiaries	-	168	-	-	-	-	-	-	-	-	-	-	168	-	168
Compensation cost arising from issuance of new shares reserved for employee subscription	-	90,000	-	-	-	-	-	-	-	-	-	-	90,000	-	90,000
Issuance of restricted shares of stock to employees	174,600	136,374	-	-	-	-	-	-	-	(310,974)	(310,974)	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	59,264	59,264	-	59,264	-	59,264
Retirement of treasury stock	(556,190)	(1,510,021)	-	-	(802,037)	(802,037)	-	-	-	-	-	2,868,248	-	-	-
Net income in 2014	-	-	-	-	1,790,690	1,790,690	-	-	-	-	-	-	1,790,690	(106)	1,790,584
Other comprehensive income in 2014	-	-	-	-	-	-	1,446,039	1,049,440	(56,989)	-	2,438,490	-	2,438,490	(26)	2,438,464
Total comprehensive income in 2014	-	-	-	-	1,790,690	1,790,690	1,446,039	1,049,440	(56,989)	-	2,438,490	-	4,229,180	(132)	4,229,048
Restated Balance at December 31, 2014	27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:															
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in subsidiaries	-	(4,662)	-	-	-	-	-	-	-	-	-	-	(4,662)	-	(4,662)
Issuance of new shares for cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-	-	-
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	(156,477)	-	-	-	-	-	-	-	211,744	211,744	-	55,267	-	55,267
Net income in 2015	-	-	-	-	603,680	603,680	-	-	-	-	-	-	603,680	115	603,795
Other comprehensive income in 2015	-	-	-	-	-	-	253,604	(990,360)	(92,391)	-	(829,147)	-	(829,147)	(2)	(829,149)
Total comprehensive income in 2015	-	-	-	-	603,680	603,680	253,604	(990,360)	(92,391)	-	(829,147)	-	(225,467)	113	(225,354)
Balance at December 31, 2015	$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(in thousands of New Taiwan dollars)

		2015	2014
Cash flows from operating activities:			
Income before taxes	$	846,557	2,614,419
Adjustments for:			
Depreciation		684,885	791,209
Amortization		1,000,991	1,202,555
Valuation loss (gain) on derivative financial assets and liabilities		1,303,264	(1,988,511)
Interest expense		340,454	651,206
Interest income		(227,438)	(283,592)
Dividend income		(249,246)	(131,140)
Share-based compensation cost		131,912	350,285
Effects of exchange rate changes on bonds payable		(103,634)	200,218
Share of profits of associates and joint venture		(529)	(125,629)
Loss (gain) on disposal of property, plant and equipment and investment property, net		12,045	(65,727)
Gain on disposal of intangible assets		(24,107)	-
Loss on disposal of subsidiaries		-	13,291
Gain on disposal of investments in associates		-	(41,495)
Gain on repurchase of bonds payable		(446,429)	-
Other investment loss (gain)		(23,613)	7,131
Intangible assets charged to cost of sale		-	2,174,851
Total profit and loss		2,398,555	2,754,652
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Notes and accounts receivable		10,994,704	2,913,298
Receivables from related parties		(28,912)	(1,125)
Inventories		2,535,275	(1,087,115)
Other receivables and other current assets		(110,650)	533,462
Non-current accounts receivable		46,725	(45,523)
Net changes in operating assets		13,437,142	2,312,997
Net changes in operating liabilities:			
Notes and accounts payable		(12,087,515)	(392,949)
Payables to related parties		(3,379)	13,428
Other payables and other current liabilities		(3,354,855)	153,180
Provisions		(2,025,547)	(1,548,319)
Other non-current liabilities		75,062	103,911
Net changes in operating liabilities		(17,396,234)	(1,670,749)
Total changes in operating assets and liabilities		(3,959,092)	642,248
Cash provided by (used in) operations		(713,980)	6,011,319
Interest received		227,762	283,326
Income taxes paid		(379,349)	(671,046)
Net cash provided by (used in) operating activities		(865,567)	5,623,599

(Continued)

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(in thousands of New Taiwan dollars)

		2015	2014
Cash flows from investing activities:			
Purchase of available-for-sale financial assets		(345,581)	(70,000)
Proceeds from disposal of available-for-sale financial assets		52,261	-
Proceeds from capital return of available-for-sale investments		114,104	80,109
Additions to investments in associates		(30,552)	(20,462)
Proceeds from disposal of investments in associates		-	41,195
Proceeds from capital return of investments in associates		-	172,130
Additions to property, plant and equipment		(267,654)	(228,752)
Proceeds from disposal of property, plant and equipment and investment property		57,138	590,954
Decrease (increase) in advances to related parties		(267)	8
Additions to intangible assets		(62,930)	(103,873)
Proceeds from disposal of intangible assets		44,643	-
Decrease in other non-current financial assets and other non-current assets		1,439	177,098
Dividend received		250,150	139,854
Net cash provided by (used in) investing activities		(187,249)	778,261
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings		2,267,377	(72,989)
Repayment of long-term debt		(5,400,000)	(1,800,000)
Issuance of new shares for cash		5,400,000	-
Repurchase of bonds payable		(3,677,046)	-
Interest paid		(194,790)	(260,250)
Net cash used in financing activities		(1,604,459)	(2,133,239)
Effects of foreign exchange rate changes		(279,849)	306,367
Net (decrease) increase in cash and cash equivalents		(2,937,124)	4,574,988
Cash and cash equivalents at beginning of year		47,558,651	42,983,663
Cash and cash equivalents at end of year	$	44,621,527	47,558,651

See accompanying notes to consolidated financial statements.

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(amounts expressed in thousands of New Taiwan dollars
except for per share information and unless otherwise noted)

1. Organization and business

Acer Incorporated (the “Company”) was incorporated on August 1, 1976, as a company limited by shares under the laws of the Republic of China (“R.O.C.”) and registered under the Ministry of Economic Affairs, R.O.C. On October 15, 2007, the Company completed acquisition of 100% equity ownership of Gateway, Inc. (including eMachines brand), a personal computer company in the U.S. The Company also acquired 100% equity ownership of Packard Bell B.V., a personal computer company in Europe on March 14, 2008. Following the acquisitions of Gateway and Packard Bell, the Company has expanded its multi-brand strategy. Additionally, on September 1, 2008, the Company entered the smartphone market following the acquisition of E-Ten Information Systems Co., Ltd. In October 2010, in order to expand into the market in China, the Company acquired the PC business, management team and employees, and regional sales and marketing channels of Founder Technology Group Corporation. On January 12, 2012, the Company acquired 100% equity ownership of iGware Inc. for the development of a unique AcerCloud system in order to enhance Acer brand positioning and increase brand value. The Company and its subsidiaries (collectively the “Group”) primarily are involved in globally marketing its brand-name IT products and promoting electronic information services to clients.

The consolidated financial statements comprise the Group and the Group’s interests in associates.

2. Authorization of the Consolidated Financial Statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2016.

3. Application of New and Revised Accounting Standards and Interpretations

(1) Impact on the application of the new and revised accounting standards and interpretations endorsed by the Financial Supervisory Commissions of the R.O.C. (“FSC”)

Starting 2015, the Group has prepared its consolidated financial statements in accordance with the 2013 version of International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations (collectively “IFRSs”) endorsed by the FSC (collectively, “2013 Taiwan-IFRSs version”). IFRS 9 *Financial Instruments* is excluded from the 2013 Taiwan-IFRSs. The new and amended accounting standards and interpretations issued by the International Accounting Standards Board (“IASB”) are summarized as below.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

New or amended standards and interpretations	Effective date per IASB
• Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	July 1, 2010
• Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	July 1, 2011
• Amendments to IFRS 1 *Government Loans*	January 1, 2013
• Amendments to IFRS 7 *Disclosure — Transfers of Financial Assets*	July 1, 2011
• Amendments to IFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities*	January 1, 2013
• IFRS 10 *Consolidated Financial Statements*	January 1, 2013 (Investment Entities amendments, effective January 1, 2014)
• IFRS 11 *Joint Arrangements*	January 1, 2013
• IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
• IFRS 13 *Fair Value Measurement*	January 1, 2013
• Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	July 1, 2012
• Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets*	January 1, 2012
• Amendments to IAS 19 (Revised 2011) *Employee Benefits*	January 1, 2013
• Amendments to IAS 27 (Revised 2011) *Separate Financial Statements*	January 1, 2013
• Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	January 1, 2014
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013

Except for the following items, the Group assessed that the adoption of the aforementioned 2013 Taiwan-IFRSs did not have significant impact on the Group's consolidated financial statements.

A. Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

According to the amendments to IAS 1, the items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Group has changed the presentation of its statement of comprehensive income, and the presentation of the comparative period has been restated accordingly.

(Continued)

B. IFRS 13 *Fair Value Measurement*

The Group has applied the standards prospectively and increased the related disclosure with respect to the measurement of fair value (refer to note 6(24)) in accordance with the standard. Nevertheless, the Group is not required to disclose the related information for the comparative period. Although the Group has applied the standards starting 2015, the Group assessed that there is no significant impact on the measurement of the fair value of the Group's assets and liabilities.

C. IAS 19 *Employee Benefits*

IAS 19 (Revised 2011) has eliminated the requirement of recognizing the actuarial gains or losses arising from the defined benefit plans in retained earnings. The Group has opted to recognize the aforementioned actuarial gains or losses in other equity accounts starting 2015, and a retrospective adjustment has been made.

The table below summarizes the impact on the Group's financial position resulting from the aforementioned changes.

Impacted items on the consolidated balance sheet	**Reported amounts before restatement**	**Effects of changes in accounting policies of defined benefit plans**	**Reported amounts after restatement**
December 31, 2014			
Unappроriated earnings	$ 931,664	(28,015)	903,649
Other reserves	817,893	28,015	845,908

(2) Impact of IFRS issued by the IASB but not yet endorsed by the FSC

Below is a summary of IFRS issued by the IASB but not yet endorsed by the FSC.

New or amended standards and interpretations	**Effective date per IASB**
• IFRS 9 *Financial Instruments*	January 1, 2018
• Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Pending IASB resolution
• Amendments to IFRS10, IFRS12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
• Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	January 1, 2016
• IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
• IFRS 15 *Revenue from Contracts with Customers*	January 1, 2018
• IFRS 16 *Leases*	January 1, 2019
• Amendments to IAS 1 *Disclosure Initiative*	January 1,2016

New or amended standards and interpretations	Effective date per IASB
• Amendments to IAS 7 *Disclosure Initiative*	January 1,2017
• Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*	January 1,2017
• Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*	January 1, 2016
• Amendments to IAS 16 and IAS 41 *Agriculture: bearer Plants*	January 1, 2016
• Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
• Amendments to IAS 27 *Equity Method in Separate Financial Statements*	January 1, 2016
• Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*	January 1, 2014
• Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
• 2010-2012 & 2011-2013 Annual Improvements Cycles	July 1, 2014
• 2012-2014 Annual Improvements Cycles	January 1, 2016
• IFRIC 21 *Levies*	January 1, 2014

The Group continues to evaluate the impact on the consolidated financial position and the results of operations as a result of the adoption of the above standards or interpretations. The related impact will be disclosed when the Group completes the assessments.

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows and have been applied consistently to all periods presented in these financial statements.

The consolidated financial statements are the English translation of the original Chinese version prepared and used in the ROC. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese language consolidated financial statements shall prevail.

(1) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (collectively "Taiwan-IFRSs").

(Continued)

(2) Basis of preparation

(a) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

i. Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
ii. Available-for-sale financial assets measured at fair value; and
iii. Defined benefit assets (liabilities) recognized as the present value of the benefit obligation less the fair value of plan assets and the effect of the asset ceiling mentioned in note 4(18).

(b) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(3) Basis of consolidation

(a) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries). The Company controls an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company balances, transactions and resulting unrealized income and loss are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align their accounting policies with those adopted by the Company.
Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the payment or receipt is recognized as equity and belongs to the Company.

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When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss, which is calculated as the difference between (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost, and (2) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. All amounts recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

The fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an available-for-sale financial asset or an investment in an associate.

(b) List of subsidiaries in the consolidated financial statements

The subsidiaries included in the consolidated financial statements at the end of the reporting period were as follows:

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership 2015.12.31	Percentage of Ownership 2014.12.31
The Company	Acer Greater China (B.V.I.) Corp. (“AGC”, British Virgin Islands)	Investment and holding activity	100.00	100.00
AGC	Acer Market Services Limited (“AMS”, Hong Kong)	Investment and holding activity	100.00	100.00
AGC	Acer Computer (Far East) Limited (“AFE”, Hong Kong)	Sale of brand-name IT products	100.00	100.00
AGC	Acer Information Technology R&D (Shanghai) Co., Ltd. (“ARD”, China)	Research and design of smart phone products	100.00	100.00
AMS	Acer Information (Zhong Shan) Co., Ltd. (“AIZS”, China)	Sale of brand-name IT products	100.00	100.00
AMS	Beijing Acer Information Co., Ltd. (“BJAI”, China)	Sale of brand-name IT products	100.00	100.00
AMS	Acer Computer (Shanghai) Ltd. (“ACCN”, China)	Sale of brand-name IT products	100.00	100.00
AMS	Acer (Chongqing) Ltd. (“ACCQ”, China)	Sale of brand-name IT products	100.00	100.00
The Company	Acer European Holdings Limited (“AEH”, Cyprus)	Investment and holding activity	100.00	100.00
AEH	Acer Europe B.V. (“AHN”, the Netherlands)	Investment and holding activity	100.00	100.00
AEH	Acer CIS Incorporated (“ACR”, British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer BSEC Inc. (“AUA”, British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer Computer (M.E.) Ltd. (“AME”, British Virgin Islands)	Sale of brand-name IT products	100.00	100.00
AEH	Acer Africa (Proprietary) Limited (“AAF”, South Africa)	Sale of brand-name IT products	100.00	100.00
AEH	AGP Insurance (Guernsey) Limited (“AGU”, Guernsey)	Financial company	100.00	100.00
AEH	Acer Sales International SA (“ASIN”, Switzerland)	Sale of brand-name IT products	100.00	-

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			2015.12.31	2014.12.31
AHN	Acer Computer France S.A.S.U. (“ACF”, France)	Sale of brand-name IT products	100.00	100.00
AHN	Acer U.K. Limited (“AUK”, the United Kingdom)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Italy S.R.L. (“AIT”, Italy)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Computer GmbH (“ACG”, Germany)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Austria GmbH (“ACV”, Austria)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Europe SA (“AEG”, Switzerland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Czech Republic S.R.O. (“ACZ”, Czech Republic)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Computer Iberica, S.A. (“AIB”, Spain)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Computer (Switzerland) AG (“ASZ”, Switzerland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Slovakia s.r.o. (“ASK”, Slovakia)	Sale of brand-name IT products	100.00	100.00
AHN	Asplex Sp. z.o.o. (“APX”, Poland)	Repair and maintenance of brand-name IT products	100.00	100.00
AHN	Acer Marketing Services LLC (“ARU”, Russia)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Hellas Limited Liability Company of Marketing and Sales Services (“AGR”, Greece)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Poland sp. z.o.o. (“APL”, Poland)	Sale of brand-name IT products	100.00	100.00
AHN	Acer Bilisim Teknolojileri Limited Sirketi (“ATR, Turkey)	Sale of brand-name IT products	100.00	100.00
AHN	Packard Bell B.V. (“PBHO”, the Netherlands)	Investment and holding activity	100.00	100.00
AHN	Acer Computer B.V. (“ACH”, Netherlands)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Norway AS (“ACN”, Norway)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Finland Oy (“AFN”, Finland)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Computer Sweden AB (“ACW”, Sweden)	Sale of brand-name IT products	100.00	100.00
ACH	Acer Denmark A/S (“ACD”, Denmark)	Sale of brand-name IT products	100.00	100.00
The Company and AEH	Boardwalk Capital Holdings Limited (“Boardwalk”, British Virgin Islands)	Investment and holding activity	100.00	100.00
Boardwalk	Acer Computer Mexico, S.A. de C.V. (“AMEX”, Mexico)	Sale of brand-name IT products	99.92	99.92
Boardwalk	Acer American Holding Corp. (“AAH”, U.S.A.)	Investment and holding activity	100.00	100.00
Boardwalk	AGP Tecnologia em Informatica do Brasil Ltda. (“ATB”, Brazil)	Sale of brand-name IT products	100.00	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership 2015.12.31	Percentage of Ownership 2014.12.31
AMEX	Aurion Tecnologia, S.A. de C.V. (“Aurion”, Mexico)	Sale of brand-name IT products	99.92	99.92
AAH	Acer Cloud Technology Inc. (“ACTI”, U.S.A.)	Software research, development, design, trading and consulting	100.00	100.00
AAH	Gateway, Inc. (“GWI”, U.S.A.)	Sale of brand-name IT products	100.00	100.00
GWI	Acer Latin America, Inc. (“ALA”, U.S.A.)	Sale of brand-name IT products	100.00	100.00
GWI	Acer America Corporation. (“AAC”, U.S.A.)	Sale of brand-name IT products	99.99	99.92
GWI	Acer Service Corporation (“ASC”, U.S.A.)	Repair and maintenance of brand-name IT products	100.00	100.00
The Company	Acer Holdings International, Incorporated (“AHI”, British Virgin Islands)	Investment and holding activity	100.00	100.00
AHI	Acer Computer Co., Ltd. (“ATH”, Thailand)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Japan Corp. (“AJC”, Japan)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer Australia Pty. Limited (“ACA”, Australia)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Sales and Service Sdn Bhd (“ASSB”, Malaysia)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Asia Pacific Sdn Bhd (“AAPH, Malaysia”)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer (Singapore) Pte. Ltd. (“ACS”, Singapore)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Computer New Zealand Limited (“ACNZ”, New Zealand)	Sale of brand-name IT products	100.00	100.00
AHI	PT. Acer Indonesia (“AIN”, Indonesia)	Sale of brand-name IT products	100.00	100.00
AIN	PT. Acer Manufacturing Indonesia (“AMI”, Indonesia)	Assembly and sale of brand-name IT products	100.00	100.00
AHI	Acer India Private Limited (“AIL”, India)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Vietnam Co., Ltd. (“AVN”, Vietnam)	Sale of brand-name IT products	100.00	100.00
AHI	Acer Philippines, Inc. (“APHI”, Philippines)	Sale of brand-name IT products	100.00	100.00
ACA	Highpoint Australia Pty Ltd. (“HPA”, Australia)	Repair and maintenance of brand-name IT products	100.00	100.00
ASSB	Highpoint Service Network Sdn Bhd (“HSN”, Malaysia)	Repair and maintenance of brand-name IT products	100.00	100.00
ASSB	Servex (Malaysia) Sdn Bhd (“SMA”, Malaysia)	Sale of computers and communication products	100.00	100.00
ACS	Logistron Service Pte Ltd. (LGS, Singapore)	Assembly of brand-name IT products	-	100.00

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership	
			2015.12.31	2014.12.31
The Company	Weblink International Inc. ("WLII", Taiwan)	Sale of computers and communication products	99.79	99.79
WLII	Weblink (H.K.) International Ltd. ("WHI", Hong Kong)	Sale of computers and communication products	99.79	99.79
WLII	Wellife Inc. ("WELL", Taiwan)	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	99.79	-
The Company	Acer Digital Service Co. ("ADSC", Taiwan)	Investment and holding activity	100.00	100.00
ADSC	Acer Property Development Inc. ("APDI", Taiwan)	Property development	100.00	100.00
ADSC	Aspire Service & Development Inc. ("ASDI", Taiwan)	Property development	100.00	100.00
ADSC	Acer Octon Inc. ("AOI", Taiwan)	Software design service	100.00	100.00
ADSC	MPS Energy Inc. ("MPS", Taiwan)	Research, development, and sale of batteries	100.00	-
The Company	Acer Worldwide Incorporated ("AWI", British Virgin Islands)	Investment and holding activity	100.00	100.00
The Company	Cross Century Investment Limited ("CCI", Taiwan)	Investment and holding activity	100.00	100.00
The Company	Acer Digital Services (B.V.I.) Holding Corp. ("ADSBH", British Virgin Islands)	Investment and holding activity	100.00	100.00
ADSBH	Acer Digital Services (Cayman Islands) Corp. ("ADSCC", Cayman Islands)	Investment and holding activity	100.00	100.00
ADSCC	Longwick Enterprises Inc. ("LONG", Seychelles)	Investment and holding activity	100.00	100.00
LONG	S. Excel. Co., Ltd. ("SURE", Samoa)	Investment and holding activity	100.00	100.00
The Company	Acer SoftCapital Incorporated ("ASCBVI", British Virgin Islands)	Investment and holding activity	100.00	100.00
ASCBVI	ASC Cayman, Limited ("ASCCAM", Cayman Islands)	Investment and holding activity	100.00	100.00
The Company	Eten Information System Co., Ltd. ("ETEN", Taiwan)	Research, design and sale of smart handheld products	100.00	100.00
The Company	Acer Cyber Center Services Ltd. ("ACCSI", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00
The Company	Acer e-Enabling Service Business Inc. ("AEB", Taiwan)	Electronic data supply, processing and storage services	100.00	100.00
AEB	XPLOVA Inc. ("XPL", Taiwan)	Internet service of outdoor sports	100.00	-

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Name of Investor	Name of Investee	Main Business and Products	Percentage of Ownership 2015.12.31	Percentage of Ownership 2014.12.31
ACCSI	TWP International Inc. ("TWPBVI", British Virgin Islands)	Investment and holding activity	100.00	100.00
TWPBVI	Acer Third Wave Software (Beijing) Co., Ltd. ("TWPBJ", China)	Software research, development, design, trading and consultation	100.00	100.00
The Company	Lottery Technology Service Corp. ("LTS", Taiwan)	Electronic data supply, processing and storage services	-	100.00
The Company	Acer Cloud Technology (Chongqing) Ltd. ("ACTCQ", China)	Design, development, sales, and advisory of computer software and hardware	100.00	-

XPL was acquired in 2015. WELL, MPS, ACTCQ, and ASIN were newly established subsidiaries during 2015. In 2014, the subsidiaries LGS and LTS were liquidated and were excluded from consolidation since the Group ceased control thereof.

c. List of subsidiaries which are not included in the consolidated financial statements: None.

(4) Foreign currency

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates at the end of the period (the reporting date) of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate prevailing at the date when the fair value is determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items denominated in foreign currencies that are measured at historical cost are not retranslated.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

On the disposal of a foreign operation which involves a loss of control over a subsidiary or loss of significant influence over an associate that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are entirely reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets.

(a) It is expected to be realized, or sold or consumed in the normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is expected to be realized within twelve months after the reporting date; or
(d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(a) It is expected to be settled in the normal operating cycle;
(b) It is held primarily for the purpose of trading;
(c) It is due to be settled within twelve months after the reporting date; or
(d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

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(7) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(a) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Regular way purchases or sales of financial assets are recognized or derecognized on a trade-date basis, the date on which the Group commits to purchase or sell the assets.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedges. The Group designates financial assets, other than ones classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
ii) Performance of the financial asset is evaluated on a fair value basis;
iii) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, financial assets carried at fair value through profit or loss are recognized at fair value. Any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to the initial recognition, changes in fair value (including dividend income and interest income) are recognized in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable and other receivables. At initial recognition, such assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method less any impairment losses. Interest income is recognized as non-operating income in profit or loss.

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iii. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. At initial recognition, available-for-sale financial assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on monetary financial assets, are recognized in other comprehensive income and presented in "unrealized gain/loss from available-for-sale financial assets" in equity. When the financial asset is derecognized, the gain or loss previously accumulated in equity is reclassified to profit or loss.

Dividends received from equity investments are recognized as non-operating income on the date of entitlement to receive the dividends (usually the ex-dividend date).

iv. Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that the debtor or issuer will probably enter bankruptcy or other financial reorganization, and the disappearance of an active market for that financial asset because of financial difficulties. For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, such asset is included in a group of financial assets with similar credit risk characteristics which are then collectively assessed for impairment. Objective evidence that receivables are impaired includes the Group's collection experience in the past, an increase of delayed payments, and national or local economic conditions that correlate with arrears of receivables.

An impairment loss is recognized by reducing the carrying amount of the respective financial assets with the exception of receivables, where the carrying amount is reduced through an allowance account. Except for the write-off of uncollectible receivables against the allowance account, changes in the amount of the allowance account are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is measured as the excess of the asset's carrying amount over the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be

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related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

When an impairment loss is recognized for an available-for-sale asset, the cumulative gains or loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

v. Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers out substantially all the risks and rewards of ownership of the financial assets to other enterprises.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and accumulated in other equity – unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in the non-operating income and loss of the consolidated statement of comprehensive income.

On derecognition of part of a financial asset, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received or receivable for the part of the financial asset derecognized and the cumulative gain or loss that has been recognized in other comprehensive income allocated to the part derecognized is charged to profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(b) Financial liabilities and equity instruments

i. Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received less the direct issuing cost.

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For overseas convertible bonds issued by the Group, for which the bondholders were granted an option to convert a variable amount of bonds into a fixed number of common shares, the derivatives embedded in convertible bonds (conversion and redemption options) are recognized at fair value and are accounted for as financial liabilities at fair value through profit or loss on initial recognition. The difference between the consideration received from the issuance of the bonds and the fair value of embedded derivatives is accounted for as bonds payable. Any transaction costs directly attributable to the issuance of the bonds are allocated to the liability components in proportion to their initial carrying amounts.

For domestic convertible bonds issued by the Group, for which the bondholders were granted an option to convert a fixed amount of bonds into a fixed number of common shares, the liability component (including redemption options embedded in the bond) of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any transaction costs directly attributable to the issuance of the bonds are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, bonds payable are measured at amortized cost using the effective interest method, and the embedded derivatives (conversion and redemption options) are measured at fair value. The equity component is not re-measured subsequent to initial recognition. Interest and gain or loss related to the financial liability are recognized in profit or loss.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

ii. Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as a financial liability at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorized as financial liabilities at fair value through profit or loss unless they are designated as hedges. The Group designates financial liabilities, other than those classified as held for trading, as measured at fair value through profit or loss at initial recognition under one of the following situations:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
ii) Performance of the financial liabilities is evaluated on a fair value basis;
iii) A hybrid instrument contains one or more embedded derivatives.

At initial recognition, this type of financial liability is recognized at fair value, and any attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, the financial liabilities are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss and included in the non-operating income and loss of the consolidated statement of comprehensive income.

iii. Other financial liabilities

Financial liabilities not classified as held for trading or not designated as at fair value through profit or loss, which comprise loans and borrowings, accounts payable, and other payables**,** are measured at fair value plus any directly attributable transaction costs at initial recognition. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iv. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss and included in the non-operating income and loss of the consolidated statement of comprehensive income.

v. Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(c) Derivative financial instruments and hedge accounting

Derivative financial instruments are held to hedge the Group’s foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in the non-operating income and loss. The resulting gain or loss is recognized in profit or loss immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

Certain derivatives are designated as either (i) hedges of the fair value of recognized assets or liabilities (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedge). The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

i. Fair value hedge

Changes in the fair value of a hedging instrument designated and qualified as a fair value hedge are recognized in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated in "cash flow hedge reserve". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

(8) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses.

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or jointly control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost plus any transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. Such impairment loss is not allocated to goodwill or other assets but reduces the carrying amount of the investments.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. Any difference between the fair value of any retained interest and any proceeds from disposing of the part interest in the associate, and the carrying amount of the associate at the date when significant influence is ceased is recognized in profit or loss. Additionally, all amounts recognized in other

(Continued)

comprehensive income in relation to that associate are accounted for on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When an associate issues new shares and the Group does not subscribe to new shares in proportion to its original ownership percentage, the Group's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Group's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Group's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

Adjustments are made to associates' financial statements to conform to the accounting polices applied by the Group.

(10) Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The gain or loss arising from the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is recognized as non-operating income and loss.

(b) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the purpose of the property changes from owner-occupied to investment.

(c) Subsequent costs

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized in profit and loss. All other repairs and maintenance are charged to expense as incurred.

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(d) Depreciation

Depreciation is provided for property, plant and equipment over the estimated useful lives using the straight-line method. When an item of property, plant and equipment comprises significant individual components for which different depreciation methods or useful lives are appropriate, each component is depreciated separately. Land is not depreciated. The depreciation is recognized in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows: buildings—main structure - 30 to 50 years; air-conditioning system - 10 years; other equipment pertaining to buildings - 20 years; computer and communication equipment - 2 to 5 years; and other equipment - 3 to 10 years.

If there is reasonable certainty that the Group will obtain the ownership of the leased property and equipment by the end of the lease term, the depreciation is provided over the estimated useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(11) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost less accumulated depreciation and accumulated impairment losses. The methods for depreciating and determining the useful life and residual value of investment property are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property, bringing the investment property to the condition necessary for it to be available for use, and any borrowing cost that is eligible for capitalization.

An investment property is reclassified to property, plant and equipment at its carrying amount when the purpose of the investment property has been changed from investment to owner-occupied.

(12) Leases

Leases are classified as finance leases when the Group assumes substantially all the risks and rewards incidental to ownership of the assets. All other leases are classified as operating leases.

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(a) The Group as lessor

Lease income from an operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as expense over the lease term on a straight-line basis. Incentives granted to the lessee to enter into the operating lease are recognized as a reduction of rental income over the lease term on a straight-line basis. Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(b) The Group as lessee

Payments made under operating leases (excluding insurance and maintenance expenses) are charged to expense over the lease term on a straight-line basis. Lease incentives received from the lessor are recognized as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are recognized as expense in the period when the lease adjustments are confirmed.

(13) Intangible assets

(a) Goodwill

Goodwill arising from acquisitions of subsidiaries is accounted for as intangible assets. Refer to note 4(21) for the description of the measurement of goodwill at initial recognition. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates. Goodwill is not amortized but is measured at cost less accumulated impairment losses.

(b) Trademarks

Trademarks acquired in a business combination are measured at fair value at the acquisition date. Subsequent to the initial recognition, trademarks with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives of 7 years. Trademarks with indefinite useful lives are carried at cost less any accumulated impairment losses and tested for impairment annually. The useful life of an intangible asset not subject to amortization is reviewed annually at each financial year-end to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Any change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate.

(c) Other intangible assets

Other separately acquired intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the following estimated useful lives: customer relationships - 7 to 10 years; developed technology - 10 years; channel resources - 8.8 years; developing technology - 15 years; patents - 4 to 15 years; acquired software - 1 to 3 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(14) Impairment of non-financial assets

(a) Goodwill

For the purpose of impairment testing, goodwill arising from a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the synergies of the combination. The CGUs with goodwill are tested annually (or when there are indications that a CGU may have been impaired) for impairment. When the recoverable amount of a CGU is less than the carrying amount of the CGU, the impairment loss is recognized firstly by reducing the carrying amount of any goodwill allocated to the CGU and then proportionately allocated to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. Any impairment loss is recognized immediately in profit or loss. A subsequent reversal of the impairment loss on goodwill is prohibited.

(b) Other tangible and intangible assets

Non-financial assets other than inventories, deferred income tax assets, and assets arising from employee benefits are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. When there exists an indication of impairment for an asset, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the CGU to which the asset has been allocated.

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time values of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. When the recoverable amount of an asset or a CGU is less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss immediately.

The Group assesses at each reporting date whether there is any evidence that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If so, an impairment loss recognized in prior periods for an asset other than goodwill is reversed, and the carrying amount of the asset or CGU is increased to its revised estimate of recoverable amount. The increased carrying amount shall not exceed the carrying amount (net of amortization or depreciation) that would have been determined had no impairment loss been recognized in prior years.

Intangible assets with indefinite useful lives or those not yet available for use are tested annually for impairment. An impairment loss is recognized for the excess of the asset's carrying amount over its recoverable amount.

(15) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(a) Warranties

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(b) Sales return provision

A provision for sales returns is recognized when the underlying products are sold. This provision is estimated based on historical sales return data.

(c) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been announced publicly. Provisions are not recognized for future operating losses.

(d) Others

Provisions for litigation claims and environmental restoration are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(16) Treasury stock

Common stock repurchased by the Group treated as treasury stock (a contra-equity account) is reported at acquisition cost (including all directly accountable costs). When treasury stock is sold, the excess of sales proceeds over cost is accounted for as capital surplus－treasury stock. If the sales proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus－treasury stock. If the remaining balance of capital surplus－treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings. The cost of treasury stock is computed using the weighted-average method.

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If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off against the par value and the capital surplus premium, if any, of the stock retired on a pro rata basis. If the weighted-average cost written off exceeds the sum of the par value and the capital surplus, the difference is accounted for as a reduction of capital surplus－treasury stock, or a reduction of retained earnings for any deficiency where capital surplus－treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus－treasury stock.

(17) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of consideration received or receivable, net of returns, rebates, and other similar discounts.

(a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Revenue is not recognized for the sale of key components to an original design manufacturer for manufacture or assembly as the significant risks and rewards of the ownership of materials are not transferred.

Revenue from extended warranty contracts is deferred and amortized as earned over the contract period, ranging from one to three years.

(b) Services

Revenue from services rendered is recognized by reference to the stage of completion at the reporting date.

(c) Rental income, interest income, and dividend income

Rental income from investment property is recognized over the lease term on a straight-line basis.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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(d) Government grant

A government grant is recognized only when there is reasonable assurance that the Group will comply with the conditions attached to it and that the grant will be received.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognized in profit or loss in the period in which it becomes receivable.

(18) Employee benefits

(a) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(b) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total amount of the present value of the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The minimum funding requirements of any plans applicable to the Group should be taken into consideration when determining the present value of the economic benefits. An economic benefit is available to the Group if it is realizable during the life of the plan or upon settlement of the plan liabilities.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses; (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset). The remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income and then transferred immediately to other equity.

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The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(19) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that the amount ultimately recognized shall be based on the number of equity instruments that eventually vested.

The grant date of options for employees to subscribe new shares for a cash injection is the date when the Board of Directors approves the exercise price and the shares to which employees can subscribe.

(20) Income taxes

Income tax expenses include both current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(a) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(b) Temporary differences arising from investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences, and it is probable that the differences will not reverse in the foreseeable future; and

(c) Temporary differences arising from initial recognition of goodwill.

(Continued)

Deferred tax is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when where is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(21) Business combination

Goodwill is measured as the excess of the acquisition-date fair value of consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed and recognize any additional assets or liabilities that are identified in that review, and shall recognize a gain on the bargain purchase thereafter.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

For each business combination, non-controlling interest in the acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the fair value of the acquiree’s identifiable net assets.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(22) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group’s dilutive potential common shares include convertible bonds, restricted shares of stock issued to employees, and profit sharing for employees to be settled in the form of common stock.

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(23) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker, who decides on the allocation of resources to the segment and assesses its performance for which discrete financial information is available.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(1) Revenue recognition

The Group recognizes revenue when the earning process is completed. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience, market and economic conditions, and any other known factors that would significantly affect the allowance. The adequacy of estimations is reviewed periodically. The fierce market competition and rapid evolution of technology could result in significant adjustments to the provision made.

(2) Impairment of intangible assets

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Refer to note 6(10) for further description of the impairment of goodwill.

In the process of evaluating the potential impairment of intangible assets other than goodwill, the Group is required to make subjective judgments in determining the useful lives and expected future revenue and expenses related to the specific asset groups considering the usage of assets and business characteristics. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

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(3) Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Group's subjective judgment and estimate, including the future revenue growth, profitability, and feasible tax planning strategies. Any changes in the globe economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

(4) Valuation of inventory

Inventories are stated at the lower of cost or net realizable value. The Group uses judgment and estimates to determine the net realizable value of inventory at each reporting date.

Due to rapid technological changes, the Group estimates the net realizable value of inventory, taking into account obsolescence and unmarketable items at the reporting date, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(5) Warranty provision

The warranty provision is made based on the estimated product warranty cost when revenue is recognized. Factors that affect the Group's warranty provision include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy the warranty obligation. The estimation basis is reviewed on an ongoing basis and revised when appropriate. Any changes to the aforementioned basis of estimation may significantly impact the amount of the warranty provision.

6. Significant account disclosures

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 5,625	5,982
Bank deposits	29,919,118	33,805,507
Time deposits	14,696,784	13,747,162
	$ 44,621,527	**47,558,651**

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(2) Financial assets and liabilities at fair value through profit or loss

		December 31, 2015	December 31, 2014
Financial assets held for trading－current:			
Derivatives－Foreign currency forward contracts	$	783,900	1,899,626
Derivatives－Foreign currency options		7,675	-
	$	791,575	1,899,626
Financial liabilities held for trading－current:			
Derivatives－Foreign currency forward contracts	$	(318,934)	(101,728)
Financial liabilities at fair value through profit or loss－current:			
Redemption options of convertible bonds (note 6(12))		-	(522,499)
Financial liabilities at fair value through profit or loss	$	(318,934)	(624,227)

The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities. At each reporting date, the outstanding foreign currency forward contracts that did not conform to the criteria for hedge accounting consisted of the following:

(a) Foreign currency forward contracts

December 31, 2015

Contract amount (in thousands)		Buy		Sell	Maturity period
EUR	14,815	CHF	/	EUR	2016/01
EUR	2,547	DKK	/	EUR	2016/01
EUR	312	NOK	/	EUR	2016/01
EUR	2,546	EUR	/	DKK	2016/01
EUR	11,566	EUR	/	CHF	2016/01~2016/04
EUR	1,767	EUR	/	NOK	2016/01~2016/03
EUR	9,169	EUR	/	SEK	2016/01~2016/04
EUR	343,896	EUR	/	USD	2016/01
USD	50,880	USD	/	AUD	2016/01~2016/04
USD	23,319	USD	/	CAD	2016/01~2016/02
USD	105,000	USD	/	CNY	2016/01~2016/03
EUR	500,000	USD	/	EUR	2016/01~2016/07
USD	86,616	USD	/	GBP	2016/01~2016/04
USD	25,600	USD	/	IDR	2016/01~2016/02
USD	147,858	USD	/	INR	2016/01~2016/06
USD	34,000	USD	/	JPY	2016/01~2016/09
USD	79,000	USD	/	MXN	2016/01~2016/06
USD	27,300	USD	/	MYR	2016/01~2016/03
USD	653,800	USD	/	NTD	2016/01
USD	10,213	USD	/	NZD	2016/01~2016/04
USD	6,989	USD	/	PHP	2016/01~2016/05

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015

Contract amount (in thousands)		Buy		Sell	Maturity period
USD	3,458	USD	/	RUB	2016/01
USD	9,000	USD	/	SGD	2016/01~2016/03
USD	70,000	USD	/	THB	2016/01~2016/05
USD	12,000	USD	/	CLP	2016/04~2016/05
USD	104,000	NTD	/	USD	2016/01~2016/02
USD	1,034	RUB	/	USD	2016/01
USD	8,200	CNY	/	USD	2016/01

December 31, 2014

Contract amount (in thousands)		Buy		Sell	Maturity period
EUR	4,159	CHF	/	EUR	2015/01
EUR	1,209	DKK	/	EUR	2015/01
EUR	10,379	EUR	/	CHF	2015/01~2015/03
EUR	4,190	EUR	/	NOK	2015/01~2015/04
EUR	5,269	EUR	/	SEK	2015/01~2015/03
EUR	332,485	EUR	/	USD	2015/01
EUR	2,101	SEK	/	EUR	2015/01
USD	51,535	USD	/	AUD	2015/01~2015/11
USD	48,480	USD	/	CAD	2015/01~2015/03
USD	170,000	USD	/	CNY	2015/01~2015/03
EUR	494,000	USD	/	EUR	2015/01~2015/04
USD	146,043	USD	/	GBP	2015/01~2015/07
USD	20,000	USD	/	IDR	2015/01~2015/02
USD	120,232	USD	/	INR	2015/01~2015/07
USD	52,000	USD	/	JPY	2015/01~2015/06
USD	42,000	USD	/	MXN	2015/01~2015/03
USD	26,000	USD	/	MYR	2015/01~2015/02
USD	674,500	USD	/	NTD	2015/01
USD	13,000	USD	/	NZD	2015/01~2015/05
USD	6,060	USD	/	PHP	2015/01~2015/04
USD	82,084	USD	/	RUB	2015/01~2015/03
USD	6,000	USD	/	SGD	2015/01~2015/02
USD	32,000	USD	/	THB	2015/01~2015/02

(Continued)

(b) Foreign currency option contracts

(i) Long call

	December 31, 2015 Contract amount (in thousands)		Maturity period
USD Call/INR Put	USD	23,000	2016/01~2016/06
USD Call/CNY Put	USD	5,000	2016/01

(ii) Long put

	December 31, 2015 Contract amount (in thousands)		Maturity period
USD Call/EUR Put	EUR	30,000	2016/01

(iii) Short put

	December 31, 2015 Contract amount (in thousands)		Maturity period
CNY Call/USD Put	USD	5,000	2016/01

(3) Available-for-sale financial assets

	December 31, 2015	December 31, 2014
Domestic listed stock	$ 2,305,026	3,264,003
Unlisted stock	948,058	742,283
	$ 3,253,084	**4,006,286**
Current	$ 93,313	146,479
Non-current	3,159,771	3,859,807
	$ 3,253,084	**4,006,286**

As of December 31, 2015 and 2014, the available-for-sale financial assets were not pledged as collateral for loans and borrowings.

(Continued)

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Notes to Consolidated Financial Statements

(4) Notes and accounts receivable, net

	December 31, 2015	December 31, 2014
Notes receivable	$ 1,103,681	1,269,167
Accounts receivable	47,213,296	58,095,839
Less: allowance for doubtful receivables	(143,950)	(197,275)
	48,173,027	59,167,731
Notes and accounts receivable – related parties	52,749	23,837
	$ 48,225,776	59,191,568

Aging analysis of notes and accounts receivable that are overdue but not impaired is as follows:

	December 31, 2015	December 31, 2014
Past due 1-30 days	$ 5,494,233	4,999,216
Past due 31-60 days	703,809	775,218
Past due 61-90 days	132,573	738,515
Past due 91 days or over	200,642	632,636
	$ 6,531,257	7,145,585

For the years ended December 31, 2015 and 2014, movements of the allowance for doubtful receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 192,248	5,027	197,275
Provision of impairment loss	15,553	3,123	18,676
Write-off	(67,852)	-	(67,852)
Effect of exchange rate changes	(4,149)	-	(4,149)
Balance at December 31, 2015	$ 135,800	8,150	143,950

(Continued)

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2014	$ 229,095	9,753	238,848
Reversal of impairment loss	(2,421)	(4,726)	(7,147)
Write-off	(32,246)	-	(32,246)
Effect of exchange rate changes	(2,180)	-	(2,180)
Balance at December 31, 2014	$ 192,248	5,027	197,275

In principle, the average credit term granted to customers for the sale of goods ranged from 30 to 90 days. To assess the recoverability of the notes and accounts receivable, the Group assesses any changes in the credit quality between the initial transaction date and the reporting date. The allowance for doubtful receivables is assessed by referring to the collectability of receivables based on an individual trade term analysis, the historical payment behavior and current financial condition of customers, and the provision for sales returns and allowances. Notes and accounts receivable that are past due but for which the Group has not recognized a specific allowance for doubtful receivables after the assessment are still considered recoverable.

The Group entered into factoring contracts with several banks to sell part of their accounts receivable without recourse. At each reporting date, details of these contracts were as follows:

	December 31, 2015				
Underwriting bank	**Factoring credit limit**	**Receivables sold**	**Receivables derecognized**	**Interest rate**	**Collateral**
Taishin International Bank	$ 170,000	17,391	17,391	-	Nil

	December 31, 2014				
Underwriting bank	**Factoring credit limit**	**Receivables sold**	**Receivables derecognized**	**Interest rate**	**Collateral**
China Trust Bank	$ 780,000	83,606	83,606		Nil
Taipei Fubon Bank	750,000	186,729	186,729		Nil
Taishin International Bank	170,000	11,037	11,037		Nil
	$ 1,700,000	281,372	281,372	1.51%~1.77%	

The factoring credit limit is revolving. According to the factoring contracts, the Group does not assume the risk of uncollectible accounts receivable, but only the risk of loss due to commercial disputes.

As of December 31, 2015 and 2014, the notes and accounts receivable were not pledged as collateral for loans and borrowings.

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(5) Other receivables

	December 31, 2015	December 31, 2014
Receivables from reimbursement of advertising expense	$ 190,030	107,271
Receivables from purchase discount	677,179	759,450
Other receivables	442,763	394,910
	$ 1,309,972	**1,261,631**

The other receivables mentioned above are expected to be collected within one year, and no allowances for doubtful receivables was necessary based on the result of management's assessment.

(6) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 8,158,604	9,661,265
Work in process	2,313	1,892
Finished goods and merchandise	17,907,866	15,964,434
Spare parts	1,398,905	1,464,540
Inventories in transit	6,575,910	9,508,356
	$ 34,043,598	**36,600,487**

For the years ended December 31, 2015 and 2014, the cost of inventories sold amounted to $202,112,665 and $256,422,720, respectively. For the year ended December 31, 2015 and 2014, the write-down of inventories to net realizable value amounted to $3,527,826 and $1,327,718, respectively.

As of December 31, 2015 and 2014, the inventories were not pledged as collateral.

(Continued)

(7) Investments in associates

A summary of the Group's financial information for investments in associates at the reporting date is as follows:

Name of Associates	December 31, 2015 Percentage of ownership	December 31, 2015 Carrying amount	December 31, 2014 Percentage of ownership	December 31, 2014 Carrying amount
Aegis Semiconductor Technology Inc. ("Aegis")	44.04%	15,778	44.04%	15,778
ECOM Software Inc. ("ECOM")	33.93%	24,385	33.93%	23,154
Bluechip Infotech Pty Ltd. ("Bluechip")	29.26%	68,459	30.00%	74,226
Innovation and Commercialization Accelerator Inc. ("ICA")	30.00%	30,646	-	-
Others	-	16,906	-	29,303
		$ 155,992		142,461

	2015	2014
Share of profits of associates	$ 529	125,629

In 2014, Aegis returned capital of $172,130 to the Group.

As of December 31, 2015 and 2014, the investments in associates were not pledged as collateral.

(8) Property, plant and equipment

The movements of cost, and accumulated depreciation and impairment loss of the property, plant and equipment were as follows:

	Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Cost or deemed cost:						
Balance at January 1, 2015	$ 1,645,601	4,028,978	4,358,353	3,302,479	1,064	13,336,475
Additions	-	27,589	68,690	164,085	7,290	267,654
Disposals	-	(2,837)	(44,527)	(167,181)	(1,006)	(215,551)
Reclassification to investment property	(68,704)	(76,036)	-	-	-	(144,740)
Other reclassification and effect of exchange rate changes	(48,331)	(222,030)	(11,498)	(141,649)	(5,815)	(429,323)
Balance at December 31, 2015	$ 1,528,566	3,755,664	4,371,018	3,157,734	1,533	12,814,515

(Continued)

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		Land	Buildings	Computer and communication equipment	Other equipment	Construction in progress	Total
Balance at January 1, 2014	$	1,594,331	4,077,199	4,326,181	3,485,485	-	13,483,196
Additions		-	30,696	80,834	116,076	1,146	228,752
Disposals		(15,556)	(137,904)	(79,317)	(157,653)	-	(390,430)
Reclassification from investment property		91,045	63,432	-	-	-	154,477
Other reclassification and effect of exchange rate changes		(24,219)	(4,445)	30,655	(141,429)	(82)	(139,520)
Balance at December 31, 2014	$	1,645,601	4,028,978	4,358,353	3,302,479	1,064	13,336,475
Accumulated depreciation and impairment loss:							
Balance at January 1, 2015	$	159,106	2,625,819	2,875,941	2,191,548	-	7,852,414
Depreciation		-	109,399	331,528	235,180	-	676,107
Disposals		-	(2,833)	(42,098)	(102,376)	-	(147,307)
Reclassification to investment property		-	(55,391)	-	-	-	(55,391)
Other reclassification and effect of exchange rate changes		1,384	(232,236)	(16,154)	(91,714)	-	(338,720)
Balance at December 31, 2015	$	160,490	2,444,758	3,149,217	2,232,638	-	7,987,103
Balance at January 1, 2014	$	166,798	2,490,379	2,572,035	2,120,255	-	7,349,467
Depreciation		-	117,626	376,826	287,175	-	781,627
Disposals		-	(2,745)	(75,863)	(122,459)	-	(201,067)
Reclassification from investment property		-	22,557	-	-	-	22,557
Other reclassification and effect of exchange rate changes		(7,692)	(1,998)	2,943	(93,423)	-	(100,170)
Balance at December 31, 2014	$	159,106	2,625,819	2,875,941	2,191,548	-	7,852,414
Carrying amounts:							
Balance at December 31, 2015	$	1,368,076	1,310,906	1,221,801	925,096	1,533	4,827,412
Balance at December 31, 2014	$	1,486,495	1,403,159	1,482,412	1,110,931	1,064	5,484,061

(9) Investment property

		Land	Buildings	Total
Cost or deemed cost:				
Balance at January 1, 2015	$	1,127,848	3,158,705	4,286,553
Disposals		(939)	(812)	(1,751)
Reclassification from property, plant and equipment		68,704	76,036	144,740
Balance at December 31, 2015	$	1,195,613	3,233,929	4,429,542
Balance at January 1, 2014	$	1,558,388	3,227,760	4,786,148
Disposals		(345,118)	-	(345,118)
Reclassification to property, plant and equipment		(91,045)	(63,432)	(154,477)
Other reclassification		5,623	(5,623)	-
Balance at December 31, 2014	$	1,127,848	3,158,705	4,286,553

(Continued)

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		Land	Buildings	Total
Accumulated depreciation and impairment loss:				
Balance at January 1, 2015	$	443,724	2,729,762	3,173,486
Depreciation		-	8,778	8,778
Disposals		-	(812)	(812)
Reclassification from property, plant and equipment		-	55,391	55,391
Balance at December 31, 2015	**$**	**443,724**	**2,793,119**	**3,236,843**
Balance at January 1, 2014	$	452,978	2,742,737	3,195,715
Depreciation		-	9,582	9,582
Disposals		(9,254)	-	(9,254)
Reclassification to property, plant and equipment		-	(22,557)	(22,557)
Balance at December 31, 2014	**$**	**443,724**	**2,729,762**	**3,173,486**
Carrying amounts:				
Balance at December 31, 2015	**$**	**751,889**	**440,810**	**1,192,699**
Balance at December 31, 2014	**$**	**684,124**	**428,943**	**1,113,067**
Fair value:				
Balance at December 31, 2015				**$ 1,638,690**
Balance at December 31, 2014				**$ 1,532,827**

The fair value of the investment property is determined by referring to the market price of similar real estate, the adjusted value on the basis of valuation (the inputs, used in the fair value measurement, which were classified to level 3) by an independent appraiser after considering the building's location and features, or the value in use of the investment property. The value in use is the present value of the future cash flows from continuous lease activities. On December 31, 2015 and 2014, the estimated discount rates used for calculating the present value of the future cash flows were 4.51% and 5.40%, respectively.

For certain land acquired, the ownership registration has not been transferred to the land acquirer, APDI, a subsidiary of the Company. To protect its interests, APDI has obtained signed deeds of assignment from the titleholders assigning all rights and obligations related to the land to APDI. Additionally, the land title certificates are held by APDI, and APDI has registered its liens thereon.

As of December 31, 2015 and 2014, investment property was not pledged as collateral.

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Notes to Consolidated Financial Statements

(10) Intangible assets

(a) The movements of costs, and accumulated amortization and impairment loss of intangible assets were as follows:

		Goodwill	Trademarks and trade names	Others	Total
January 1, 2015					
Cost	$	26,473,881	10,576,769	12,722,740	49,773,390
Accumulated amortization and impairment loss		(4,635,184)	(10,377,540)	(8,033,119)	(23,045,843)
Balance at January 1, 2015		21,838,697	199,229	4,689,621	26,727,547
Additions		-	-	62,930	62,930
Disposals		-	-	(20,536)	(20,536)
Reclassification		-	-	14,342	14,342
Amortization		-	(17,802)	(894,681)	(912,483)
Effect of exchange rate changes		635,167	(241)	102,701	737,627
Balance at December 31, 2015	**$**	**22,473,864**	**181,186**	**3,954,377**	**26,609,427**
December 31, 2015					
Cost	$	27,276,201	10,566,908	12,762,694	50,605,803
Accumulated amortization and impairment loss		(4,802,337)	(10,385,722)	(8,808,317)	(23,996,376)
Carrying amount	**$**	**22,473,864**	**181,186**	**3,954,377**	**26,609,427**
January 1, 2014					
Cost	$	25,452,036	10,430,695	14,989,997	50,872,728
Accumulated amortization and impairment loss		(4,365,349)	(10,215,713)	(7,571,578)	(22,152,640)
Balance at January 1, 2014		21,086,687	214,982	7,418,419	28,720,088
Addition		-	-	103,873	103,873
Disposals and charged to cost of revenue		(185,313)	-	(1,989,538)	(2,174,851)
Reclassification		-	-	34,408	34,408
Amortization		-	(17,286)	(1,092,688)	(1,109,974)
Effect of exchange rate changes		937,323	1,533	215,147	1,154,003
Balance at December 31, 2014	**$**	**21,838,697**	**199,229**	**4,689,621**	**26,727,547**
December 31, 2014					
Cost	$	26,473,881	10,576,769	12,722,740	49,773,390
Accumulated amortization and impairment loss		(4,635,184)	(10,377,540)	(8,033,119)	(23,045,843)
Carrying amount	**$**	**21,838,697**	**199,229**	**4,689,621**	**26,727,547**

In 2014, the Group licensed out part of its intangible assets to one of its key customers. The economic benefits of those intangible assets were realized, and the carrying amounts of those intangible assets were charged to cost of revenue accordingly.

(Continued)

The amortization of intangible assets are included in the following line items of the statement of comprehensive income:

		2015	2014
Cost of revenue	$	1,752	2,662
Operating expenses	$	910,731	1,107,312

(b) Impairment test on goodwill and trademarks and trade names

The carrying amounts of significant goodwill and trademarks and trade names with indefinite useful lives and the respective CGUs to which they were allocated as of December 31, 2015 and 2014, were as follows:

December 31, 2015

	RO-EMEA	RO-PA	RO-PAP	Multiple CGUs without significant goodwill
Goodwill	$ 12,340,616	2,009,719	8,105,807	17,722
Trademarks & trade names	102,867	30,279	16,495	-

December 31, 2014

	RO-EMEA	RO-PA	RO-PAP	Multiple CGUs without significant goodwill
Goodwill	$ 11,977,977	1,931,403	7,911,595	17,722
Trademarks & trade names	102,867	30,279	66,083	-

Each CGU to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

On December 31, 2015 and 2014, based on the results of the impairment tests conducted by the Group, the recoverable amount of each CGU, determined based on the value in use, exceeded its carrying amount; and therefore no impairment loss was recognized.

The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

i. The cash flow projections were based on historical operating performance and future financial budgets, covering a period of 5 years, approved by management and estimated terminal values at the end of the 5-year period. Cash flows beyond that 5-year period have been extrapolated using the following growth rates:

	RO-EMEA	RO-PA	RO-PAP
2015.12.31	0%~5%	0%~5%	0%~5%
2014.12.31	0%	0%	0%

(Continued)

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The growth rates above do not exceed the long-term average growth rates for the market in which the each CGU operates.

ii. Discount rates used to determine the value in use for each CGU were as follows:

	RO-EMEA	RO-PA	RO-PAP
2015.12.31	18.8%	12.0%	15.9%
2014.12.31	17.4%	9.3%	15.2%

The estimation of discount rate is based on the weighted average cost of capital.

(11) Short-term borrowings

	December 31, 2015	December 31, 2014
Unsecured bank loans	$ 2,584,377	317,000
Unused credit facilities	$ 32,392,859	33,481,766
Interest rate	1.13%~17.28%	1.16%~1.42%

(12) Long-term debt and bonds payable

	December 31, 2015	December 31, 2014
Citibank syndicated loan	$ 1,800,000	7,200,000
Overseas convertible bonds	-	3,634,818
Domestic convertible bonds	5,966,431	5,880,437
Less: current portion of long-term debt	(1,800,000)	(3,600,000)
Less: current portion of bonds payable	(5,966,431)	(3,634,818)
	$ -	9,480,437

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(a) Bank loans

Type of Loan	Creditor	Credit Line	Term	December 31, 2015	December 31, 2014
Unsecured loan	Citibank and other banks	Term tranche of $9 billion; five-year limit during which revolving credits disallowed	The loan is repayable in 5 semi-annual installments starting from November 2014. The amount of $1.8 billion was prepaid in November 2015.	$ 1,800,000	7,200,000
		Revolving tranche of $6 billion; five-year limit	The credit facility has not yet been used until the maturity in April 2015.	-	-
Less: current portion of long-term debt				(1,800,000)	(3,600,000)
				$ -	3,600,000
Unused credit facilities				$ -	4,800,000
Interest rate				1.59%	1.71%

According to the syndicated loan agreements, the Group is required to maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements. On December 31, 2014, the Group was not in compliance with some of the financial covenants. Nevertheless, according to the amendment of the syndicated loan agreements dated March 4, 2013, the non-compliance with financial covenants is not considered a default as long as the Group obtains a waiver from the syndicated banks no later than November 30 in the current year (grace period for the semi-annual consolidated financial statements) and June 30 in the following year (grace period for the annual consolidated financial statements). If the Group fails to obtain a waiver from the syndicated banks within the grace period, then it will be considered an event of default under the loan agreements. On June 12, 2015, the Group obtained a waiver from the syndicated banks, which exempted the Group from complying with the required financial covenants on December 31, 2014.

On December 31, 2015, the Group was not in compliance with some of the financial covenants.

(b) Overseas convertible bonds

	2015	2014
Bonds payable:		
Beginning balance	$ 3,634,818	3,179,548
Redemption	(3,622,969)	-
Amortization of bond discount and transaction cost (recognized as interest expense)	91,785	255,052
Unrealized exchange loss (gain) on bonds payable	(103,634)	200,218
	-	3,634,818
Less: current portion of bonds payable	-	(3,634,818)
Ending balance	$ -	-

(Continued)

		2015	2014
Financial liabilities at fair value through profit or loss (redemption options of the convertible bonds):			
Beginning balance	$	522,499	496,143
Redemption		(500,506)	-
Evaluation loss (gain)		(21,993)	26,356
		-	522,499
Less: current portion		-	(522,499)
Ending balance	$	-	-

On August 10, 2010, the Group issued US$300,000 thousand of zero coupon overseas convertible bonds which were due in 2015 (the "2015 Bond") and US$200,000 thousand of zero coupon overseas convertible bonds which are due in 2017 (the "2017 Bond") for the purpose of purchasing merchandise in line with business growth. All the above-mentioned bonds were issued at the Singapore Exchange Securities Trading Limited. The significant terms and conditions of the convertible bonds are as follows:

i. The 2015 Bonds

i)	Par value	US$300,000 thousand
ii)	Issue date	August 10, 2010
iii)	Maturity date	August 10, 2015
iv)	Coupon rate	0%
v)	Conversion	

Bondholders may convert bonds into the Company's common shares at any time starting the 41st day from the issue date until 10 days prior to the maturity date. On May 19, 2015 (the last redemption date), the conversion price was $100.59 (in New Taiwan dollars) per common share, with a fixed exchange rate of $31.83 = US$1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi) Redemption at the option of the bondholders

A. A bondholder shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2015 Bonds held by such holder at a redemption price of principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) in US dollars on August 10, 2013.

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2015 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) at the relevant date (the "2015 Early Redemption Amount").

(Continued)

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Group to redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount.

vii) Redemption at the option of the Company

The Company may redeem the 2015 Bonds, in whole or in part, at the 2015 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013, and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2015 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of the 2015 Bonds have been redeemed, repurchased and cancelled, or converted;

C. A change in ROC tax regulations causes the Company to become obliged to pay additional amounts in respect of taxes or expenses.

viii) Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2015 Bonds at a redemption price of their principal amount plus a gross yield of 0.43% per annum (calculated on a semi-annual basis) on August 10, 2015.

ii. The 2017 Bonds

i)	Par value	US$200,000 thousand
ii)	Issue date	August 10, 2010
iii)	Maturity date	August 10, 2017
iv)	Coupon rate	0%
v)	Conversion	

Bondholders may convert bonds into the Company's common shares at any time starting the 41st day from the issue date until 10 days prior to the maturity date. On September 14, 2015 (the last redemption date), the conversion price was $103.5 (in New Taiwan dollars) per common share, with a fixed exchange rate of $31.83 = US$1.00, subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi) Redemption at the option of the bondholders

A. A bondholder shall have the right, at such holder's option, to require the Company to redeem, in whole or in part, the 2017 Bonds held by such holder at a redemption price of the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2015.

(Continued)

B. In the event that the Company's common shares are officially delisted from the Taiwan Securities Exchange, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at an amount equal to the principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) at the relevant date (the "2017 Early Redemption Amount").

C. If a change of control (as defined in the issue terms) occurs, each bondholder shall have the right, at such holder's option, to require the Company to redeem the 2017 Bonds, in whole or in part, at 2017 Early Redemption Amount.

vii) Redemption at the option of the Company

The Company may redeem the 2017 Bonds, in whole or in part, at the 2017 Early Redemption Amount, in the following cases:

A. At any time on or after August 10, 2013, and prior to the maturity date, the closing price (translated into US dollars at the prevailing rate) of its common shares on the Taiwan Stock Exchange is at least 130% of the 2017 Early Redemption Amount for 20 consecutive trading days.

B. If more than 90% of the 2017 Bonds have been redeemed, repurchased and cancelled, or converted;

C. A change in ROC tax regulations causes the Company to become obliged to pay additional amounts in respect of taxes or expenses.

viii) Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the 2017 Bonds at a redemption price of their principal amount plus a gross yield of 2.5% per annum (calculated on a semi-annual basis) on August 10, 2017.

In 2015, the bondholders required the Group to redeem the bonds payable; furthermore, the Group repurchased the bonds payable on the open market. The aggregated redemption and purchase price was US$105,200 thousand and the gain on purchase and redemption of bonds payable of $446,429 (classified under non-operating income and loss) was recognized.

(c) Domestic convertible bonds

		2015	2014
Bonds payable:			
Beginning balance	$	5,880,437	5,794,965
Amortization of bond discount (recognized as interest expense)		85,994	85,472
Ending balance	**$**	**5,966,431**	**5,880,437**

(Continued)

		December 31, 2015	December 31, 2014
Capital surplus－conversion right (note 6(17))	$	261,000	261,000

On May 14, 2013, the Group issued $6,000,000 of zero coupon domestic convertible bonds due 2016 (the "2016 Bond") on the Taipei Exchange. The significant terms and conditions of the convertible bonds are as follows:

i. Par value $6,000,000
ii. Issue date May 14, 2013
iii. Maturity date May 14, 2016
iv. Coupon rate 0%
v. Conversion

Bondholders may convert the bonds into the Company's common shares at any time starting one month from the issue date until 10 days prior to the maturity date. The conversion price is $24.97 per common share and is subject to adjustment by the formula provided in the issue terms if the Company's outstanding common shares are increased.

vi. Redemption at the option of the Company

The Company may redeem the 2016 Bond, in whole or in part, at the principal amounts, in the following cases:

i) At any time on or after June 15, 2013, and until 40 days prior to the maturity date, the closing price of its common shares on the Taiwan Stock Exchange is at least 130% of the conversion price for 30 consecutive trading days.

ii) At any time on or after June 15, 2013, and until 40 days prior to the maturity date, the outstanding balance of the convertible bonds is less than 10% of the original issuance amount.

vii. Redemption at maturity

Unless previously redeemed, repurchased and cancelled, or converted, the Company shall redeem the bonds at their par value in cash.

(13) Provisions

		Warranties	Litigation	Sales returns	Restructuring	Environmental protection and others	Total
Balance at January 1, 2015	$	6,615,333	773,811	1,320,922	125,918	264,214	9,100,198
Provisions made		6,162,486	167,887	3,410,695	-	101,534	9,842,602
Amount utilized		(7,102,723)	(283,864)	(3,702,519)	(116,467)	(140,928)	(11,346,501)
Amount reversed		(17,686)	(284,945)	-	-	(143)	(302,774)
Effect of exchange rate changes		(246,411)	(11,962)	45,551	(9,451)	3,399	(218,874)
Balance at December 31, 2015	$	5,410,999	360,927	1,074,649	-	228,076	7,074,651
Current	$	5,410,999	358,564	1,074,649	-	135,493	6,979,705
Non-current		-	2,363	-	-	92,583	94,946
	$	5,410,999	360,927	1,074,649	-	228,076	7,074,651
Balance at January 1, 2014	$	6,487,775	1,740,947	1,491,118	660,651	268,026	10,648,517
Provisions made		8,188,488	178,560	4,015,670	-	163,657	12,546,375
Amount utilized		(7,950,456)	(711,200)	(4,262,914)	(408,694)	(122,257)	(13,455,521)
Amount reversed		-	(473,998)	-	(122,085)	(35,663)	(631,746)
Effect of exchange rate changes		(110,474)	39,502	77,048	(3,954)	(9,549)	(7,427)
Balance at December 31, 2014	$	6,615,333	773,811	1,320,922	125,918	264,214	9,100,198
Current	$	6,615,333	750,406	1,320,922	125,918	159,867	8,972,446
Non-current		-	23,405	-	-	104,347	127,752
	$	6,615,333	773,811	1,320,922	125,918	264,214	9,100,198

(a) Warranties

The provision for warranties is made based on the number of sold units currently under warranty, historical rates of warranty claim on those units, and cost per claim to satisfy the warranty obligation. The Group reviews the estimation basis on an ongoing basis and revises it when appropriate.

(b) Litigation

Litigation provisions are recorded for pending litigation when it is determined that an unfavorable outcome is probable and the amount of loss can be reasonably estimated.

(c) Sales returns

Expected sales returns are estimated based on historical experience.

(d) Restructuring

A restructuring provision is recognized when a detailed formal restructuring plan is in place. Also, the plan has to be either implemented or its main features has be to announced to those who are affected by it.

(e) Environmental protection and others

An environmental protection provision is made when products are sold and is estimated based on historical experience.

(Continued)

(14) Operating lease

(a) Lessee

The Group leases offices and warehouses under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

		December 31, 2015	December 31, 2014
Not later than 1 year	$	633,374	553,268
Later than 1 year but not later than 5 years		1,004,268	871,125
Later than 5 years		493,379	448,369
	$	2,131,021	1,872,762

For the years ended December 31, 2015 and 2014, rental expenses of $933,017 and $1,032,235, respectively, were recognized and included in the cost of revenue and operating expenses.

Office and warehouse leases entered into by the Group include leases of both land and buildings where the offices and warehouses are located. As the lessor has not transferred the ownership of the land to the Group, the rental payment to the lessor is increased to the market rate at regular intervals, and the Group does not participate in the residual value of the land and buildings. As a result, the Group determined that substantially all the risks and rewards of the land and buildings are with the lessor. Therefore, the office and warehouse leases are operating leases.

(b) Lessor

The Group leased its investment property under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

		December 31, 2015	December 31, 2014
Not later than 1 year	$	35,313	31,312
Later than 1 year but not later than 5 years		26,945	25,654
	$	62,258	56,966

(Continued)

In 2015 and 2014, the rental income from investment property amounted to $96,326 and $89,205, respectively. Related repair and maintenance expenses were as follows:

		2015	2014
Arising from investment property that generated rental income during the period	$	29,154	26,221
Arising from investment property that did not generate rental income during the period		71,352	76,959
	$	**100,506**	**103,180**

(15) Employee benefits

(a) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the net defined benefit liabilities (assets) for defined benefit plans was as follows:

		December 31, 2015	December 31, 2014
Present value of benefit obligations	$	2,312,528	2,056,189
Fair value of plan assets		(1,084,928)	(1,051,029)
Net defined benefit liabilities (classified under other non-current liabilities)	**$**	**1,227,600**	**1,005,160**

		December 31, 2015	December 31, 2014
Present value of benefit obligations	$	34,629	32,488
Fair value of plan assets		(72,292)	(71,121)
Net defined benefit assets (classified under other non-current assets)	**$**	**(37,663)**	**(38,633)**

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee’s retirement.

Foreign subsidiaries, including AJC, ATH, AIN, APHI, AEG, ASZ, AIT, ACN and ACF, also have defined benefit pension plans based on their respective local laws and regulations.

i. Composition of plan assets

The pension fund (the “Fund”) contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the Bureau of Labor Funds). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund”, with regard to the utilization of the Fund, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks. The Company and its domestic subsidiaries also established pension funds in accordance with the “Regulations Governing the Management, Investment, and Distribution of the Employees’ Retirement Fund Established by a Profit-seeking Enterprise”, which are funded by time deposits and bank deposits deposited in the designated financial institutions. The administration of pension funds is separate from the Group, and the principal and interest from such funds shall not be used in any form except for the payment of pension and severance to employees.

Foreign subsidiaries with defined benefit pension plans make pension contributions to pension management institutions in accordance with their respective local regulations.

As of December 31, 2015 and 2014, the Group’s fair value of plan assets, by major categories, was as follows:

	December 31, 2015	December 31, 2014
Cash	$ 636,788	669,861
Equity instruments	287,899	255,014
Instruments with fixed return	121,803	115,478
Real estate	110,730	81,797
	$ 1,157,220	**1,122,150**

Cash includes the labor pension fund assets. For information on the labor pension fund assets (including the asset portfolio and yield of the fund), please refer to the website of the Bureau of Labor Funds.

ii. Movements in present value of the defined benefit obligations

In 2015 and 2014, the movements in present value of the defined benefit obligations of the Group were as follows:

	2015	2014
Defined benefit obligations at January 1	$ 2,088,677	2,029,872
Current service costs	270,851	222,829
Net interest expense	37,009	44,919
Remeasurement on the net defined benefit liabilities (assets) :		
Actuarial loss (gain) arising from experience adjustments	63,957	(35,929)
Actuarial loss (gain) arising from changes in population assumption	(2,850)	-
Actuarial loss (gain) arising from changes in financial assumption	34,922	70,986
Benefits paid by the plan	(229,919)	(210,355)
Settlement loss (curtailment gain)	7,929	(2,331)
Effect of exchange rate changes	48,509	(58,685)
Contributions by plan participants	28,072	27,371
Defined benefit obligations at December 31	**$ 2,347,157**	**2,088,677**

iii. Movements in fair value of plan assets

In 2015 and 2014, the movements in fair value of plan assets of the Group were as follows:

	2015	2014
Fair value of plan assets at January 1	$ 1,122,150	1,197,180
Remeasurement on the net defined benefit liabilities (assets):		
Return on plan assets (excluding amounts included in net interest expense)	(8,492)	(19,325)
Benefits paid by the plan	(222,935)	(199,046)
Interest income	19,555	25,418
Contributions by plan participants	28,072	27,371
Contributions by the employer	188,624	146,064
Effect of exchange rate changes	30,246	(55,512)
Fair value of plan assets at December 31	**$ 1,157,220**	**1,122,150**

iv. Changes in the effect of the asset ceiling

In 2015 and 2014, there was no effect of the asset ceiling.

v. Expenses recognized in profit or loss

In 2015 and 2014, the expenses recognized in profit or loss were as follows:

		2015	2014
Current service costs	$	270,851	222,829
Net interest expense		17,454	19,501
Settlement loss (curtailment gain)		7,929	(2,331)
	$	**296,234**	**239,999**
Classified under operating expense	$	**296,234**	**239,999**

vi. Remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income

In 2015 and 2014, the remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

		2015	2014
Cumulative amount at January 1	$	44,447	98,829
Recognized during the period		(104,521)	(54,382)
Cumulative amount at December 31	$	**(60,074)**	**44,447**

vii. Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2015	December 31, 2014
Discount rate	0.80%~9.03%	0.90%~8.30%
Future salary increase rate	1.90%~6.00%	1.80%~6.00%

The Group expects to make contribution of $136,256 to the defined benefit plans in the year following December 31, 2015. The weighted average duration of the defined benefit plans is ranged from 12.86 years to 22.60 years.

viii. Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions for each measurement date, including discount rates and future salary changes. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation on December 31, 2015.

	Discount rate		Change in salary rate	
	0.25% Increase	**0.25% Decrease**	**0.25% Increase**	**0.25% Decrease**
Increase (decrease) in present value of defined benefit obligation	$ (99,814)	112,284	59,256	(59,335)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are related. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method used to carry out the sensitivity analysis is the same as in the prior year.

(b) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2015 and 2014, the Group recognized pension expenses of $375,423 and $389,109, respectively, in relation to the defined contribution plans.

(16) Income taxes

(a) Income tax returns of the Group are filed individually by each entity and not on a combined basis. The Company and its subsidiaries incorporated in the R.O.C. are subject to R.O.C. income tax at a rate of 17% for the years 2015 and 2014. Foreign subsidiaries calculated income tax in accordance with their respective local tax law and regulations. The components of income tax expense for the years ended December 31, 2015 and 2014 were as follows:

		2015	**2014**
Current income tax expense			
Current period	$	212,787	623,097
Adjustments for prior years		(79,004)	(35,881)
		133,783	587,216
Deferred tax expense			
Origination and reversal of temporary differences		68,152	448,267
Change in unrecognized deductible temporary differences and tax losses		40,827	(211,648)
		108,979	236,619
Income tax expense	**$**	**242,762**	**823,835**

In 2015 and 2014, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

		2015	**2014**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans	$	12,130	(2,607)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		623	375
	$	**12,753**	**(2,232)**

Reconciliation of the expected income tax expense calculated based on the R.O.C. statutory tax rate compared with the actual income tax expense as reported in the consolidated statements of comprehensive income for 2015 and 2014 was as follows:

		2015	**2014**
Income before taxes	**$**	**846,557**	**2,614,419**
Income tax using the Company's statutory tax rate	$	143,915	444,451
Effect of different tax rates in foreign jurisdictions		(149,371)	815,445
Adjustments for prior-year income tax expense		(79,004)	(35,881)
Taxable loss not qualified to be carried forward		-	149,582
Change in unrecognized temporary differences and tax losses		40,827	(211,648)
Others		286,395	(338,114)
	$	**242,762**	**823,835**

(Continued)

(b) Deferred income tax assets and liabilities

i. Unrecognized deferred income tax assets

	December 31, 2015	December 31, 2014
Deductible temporary differences	$ 6,598,461	6,951,267
Tax losses	7,606,851	7,450,099
	$ 14,205,312	**14,401,366**

The tax benefits from tax losses that each entity in the Group is entitled to in accordance with the respective local tax regulations of each jurisdiction were not recognized as deferred income tax assets as management believed that it is not probable that future taxable profits will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2015, the unrecognized tax losses and the respective expiry years were as follows:

Tax effects of tax losses	Year of expiry
$ 359,091	2016
88,038	2017
193,280	2018
368,104	2019
6,598,338	2020 and thereafter
$ 7,606,851	

ii. Unrecognized deferred income tax liabilities

	December 31, 2015	December 31, 2014
Net profits associated with investments in subsidiaries	**$ 4,378,941**	**4,615,822**

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

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iii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2015 and 2014 were as follows:

Deferred income tax assets:

	Inventory	**Accrual expense and provisions**	**Unused loss carryforwards**	**Others**	**Total**
Balance at January 1, 2015	$ 211,256	460,914	235,826	110,568	1,018,564
Recognized in profit or loss	(41,445)	(83,160)	16,240	36,846	(71,519)
Recognized in other comprehensive income	-	-	-	15,188	15,188
Effect of exchange rate changes	-	-	-	(124,087)	(124,087)
Balance at December 31, 2015	**$ 169,811**	**377,754**	**252,066**	**38,515**	**838,146**
Balance at January 1, 2014	$ 341,964	910,916	519,838	131,165	1,903,883
Recognized in profit or loss	(130,708)	(450,002)	(284,012)	71,608	(793,114)
Recognized in other comprehensive income	-	-	-	5,204	5,204
Effect of exchange rate changes	-	-	-	(97,409)	(97,409)
Balance at December 31, 2014	**$ 211,256**	**460,914**	**235,826**	**110,568**	**1,018,564**

Deferred income tax liabilities:

	Unremitted earnings from subsidiaries	**Unrealized foreign exchange gain and unrealized gain on valuation of financial instruments**	**Intangible assets**	**Others**	**Total**
Balance at January 1, 2015	$ 514,047	5,275	867,100	10,862	1,397,284
Recognized in profit or loss	46,723	2,590	(12,819)	966	37,460
Recognized in other comprehensive income	-	-	-	2,435	2,435
Balance at December 31, 2015	**$ 560,770**	**7,865**	**854,281**	**14,263**	**1,437,179**
Balance at January 1, 2014	$ 250,899	2,683	1,624,772	67,989	1,946,343
Recognized in profit or loss	263,148	2,592	(757,672)	(64,563)	(556,495)
Recognized in other comprehensive income	-	-	-	7,436	7,436
Balance at December 31, 2014	**$ 514,047**	**5,275**	**867,100**	**10,862**	**1,397,284**

(c) Except for 2012, the Company's income tax returns for the years through 2013 were examined and approved by the R.O.C. income tax authorities.

(d) Information about the integrated income tax system

	December 31, 2015	December 31, 2014 (Restated)
Unappropriated earnings earned commencing from January 1, 1998	$ 520,235	903,649
Balance of imputation credit account	$ 1,918,373	1,729,121

	2015 (estimated)	2014 (actual)
Creditable ratio for distribution of earnings to R.O.C. residents	20.48%	20.48%

Effective January 1, 2015, the creditable ratio for distribution of earnings to R.O.C. residents is half of the original creditable ratio mentioned above in accordance with the amended Income Tax Act. Furthermore, the 10% surtax paid on any unappropriated earnings for the years following December 31, 1997 can be credited against the dividend withholding tax for non-resident stockholders once the Company distributes its dividends from the corresponding retained earnings in the subsequent years. According to the amended Income Tax Act, effective January 1, 2015, only half of the retained earnings tax paid can be credited against the dividend withholding tax.

(17) Capital and other equity

(a) Common stock

The Board of Directors approved a resolution to issue 300,000,000 shares of common stock for cash at a price of $18 (dollars) per share on August 7 and December 23, 2014. The cash injection has been approved by the government authorities, and the effective date of capital increase is January 11, 2015, and the related registration process has been completed.

During their meeting on June 18, 2014, the Company's shareholders resolved to issue 50,000,000 restricted shares of stock to employees in one tranche or in installments within one year following the date of receipt of approval from the government authorities. The issuance has been approved by the securities and Futures Bureau of the FSC and the Company has issued 17,460,000 restricted shares of stock to employees on August 26, 2014. The effective date of the capital increase was set on the same date. The related registration process has been completed.

In 2015, the Company recalled 1,125,000 of its restricted shares of stock due to the resignation and retirement of certain employees, as well as failing to meet certain vesting conditions. On August 6, 2015, the Board of Directors approved a resolution to retire 1,125,000 restricted shares of stock for which the effective date of the retirement was August 31, 2015. The related registration process has been completed.

(Continued)

As of December 31, 2015 and 2014, the Company's authorized shares of common stock consisted of 3,500,000,000 shares, of which 3,085,442,828 shares and 2,796,567,828 shares, respectively, were issued and outstanding. The par value of the Company's common stock is $10 (dollars) per share. All issued shares were paid up upon issuance.

As of December 31, 2015 and 2014, the Company had issued 6,833 thousand units and 6,862 thousand units, respectively, of global depository receipts (GDRs). The GDRs were listed on the London Stock Exchange, and each GDR represents five common shares.

The movements in outstanding common shares of stock in 2015 and 2014 were as follows (in thousands of shares):

	Ordinary Shares	
	2015	**2014**
Balance at January 1	2,722,362	2,722,362
Issuance of new shares for cash	300,000	-
Vested restricted shares of stock	3,915	-
Balance at December 31	3,026,277	2,722,362

(b) Capital surplus

		December 31, 2015	**December 31, 2014**
Share premium:			
Paid-in capital in excess of par value	$	16,251,978	13,904,632
Surplus from mergers		19,475,618	19,538,716
Others:			
Employee share options		90,000	90,000
Surplus from equity-method investments		163,012	167,674
Conversion right of convertible bonds (note 6(12))		261,000	261,000
Restricted shares of stock issued to employees		(8,853)	136,374
	$	36,232,755	34,098,396

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed by cash based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers", distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(c) Legal reserve, special reserve, and dividend policy

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance of annual net income, if any, can be distributed as follows:

i. At least 5% as employee bonuses; employees entitled to a stock bonus may include subsidiaries' employees that meet certain criteria set by the Board of Directors;

ii. 1% or lower as remuneration to directors; the distribution is proposed by the compensation committee and approved by the Board of Directors;

iii. The remaining balance, together with unappropriated earnings from previous years, after retaining a certain portion for business considerations, as dividends to stockholders; except for the distribution of earnings made from capital surplus and legal reserve, the Company could not distribute earnings when there are no retained earnings.

According to the Company's article of incorporation, regardless of operating profit or loss, the remuneration for directors is determined based on their involvement and contribution to the Company and considering industry practice. The amount is proposed by the compensation committee and approved by the Board of Directors. Additionally, when the Company makes profits, directors are entitled to the aforementioned earnings distribution.

Since the Company operates in an industry experiencing rapid change and development, earnings are distributed in consideration of the current year's earnings, the overall economic environment, related laws and decrees, and the Company's long-term development and stability in its financial position. The Company has adopted a stable dividend policy, in which a cash dividend comprises at least 10% of the total dividend distribution.

In accordance with the amendments to the Company Act in May 2015, employee bonus and the remuneration for directors are no longer subject to earnings distribution. According, the Company expects to make amendments to its articles of incorporation to be approved during the 2016 annual shareholders' meeting.

Additionally, according to the Company Act, a company shall first retain 10% of its income after taxes as legal reserve until such retention equals the amount of paid-in capital. If a company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve by issuing new shares or distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

In accordance with Ruling No. 1010047490 issued by the FSC on November 21, 2012, a special reserve shall be retained at an amount equal to the proportionate share of the carrying value of the treasury stock held by subsidiaries in excess of the market value at the reporting date. The special reserve may be reversed when the market value recovers in subsequent periods.

(Continued)

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity shall be set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

iv. Earnings distribution

After offsetting the deduction on retained earnings arising from the retirement of treasury stock and actuarial loss from the defined benefit plans and the appropriation of legal reserve and special reserve of $93,166 and $838,498, respectively, there were no earnings for 2014; therefore, the Company's shareholders decided not to distribute any earnings during their meeting on June 23, 2015.

During the shareholders' meeting held on June 18, 2014, the Company's shareholders decided not to distribute any earnings for 2013 as the Company incurred a net loss in that year. The shareholders also approved a decrease in its legal reserve, special reserve and capital surplus of $10,012,168, $3,460,642, and $8,325,852, respectively, to offset accumulated deficit. Related information on the appropriation of earnings proposed by the Board of Directors and approved by the shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As the Company had no earnings distribution in 2014, no employee bonuses or remuneration for directors and supervisors was accrued for the year ended December 31, 2014; except for the remunerations for directors and supervisors of $15,990, which was accrued regardless of whether there is operating profit or loss according to the Company's article of incorporation. There was no difference between the actual distribution approved by the shareholders and the estimation accrued by the Company. Related information on the distribution of employee bonuses and remuneration for directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(d) Treasury stock

In accordance with Article 28-2 of the Securities and Exchange Act, the Company purchased 10,000,000 shares of its own common stock for an aggregate amount of $271,182 from July to September 2012 in order to retain and motivate employees.

According to Article 28-2 of the Securities and Exchange Act, the Company purchased its own common shares of 55,619,000 shares for an aggregate amount of $2,868,248 from April to June 2011 in order to maintain its shareholders' equity.

On May 8, 2014, the Board of Directors approved a resolution to retire 28,619,000 shares and 27,000,000 shares of treasury stock for which the effective date of the retirement of treasury stock was May 26 and June 29, 2014, respectively. The related registration process has been completed. On August 6, 2015, the Board of Directors approved a resolution to retire 10,000,000 shares of treasury stock for which the effective date of the retirement of treasury stock was August 31, 2015. The related registration process has been completed.

(Continued)

According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares do not bear shareholder rights prior to being sold to third parties. Moreover, the number of treasury shares shall not exceed 10% of the number of common shares issued. The total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and other realized capital surplus.

As of December 31, 2015 and 2014, details of the GDRs (for the implementation of an overseas employee stock option plan) held by subsidiary AWI and the Company's common stock held by subsidiaries AWI (to maintain the Company's shareholders' equity), CCI (to maintain the Company's shareholders' equity), and E-Ten (resulting from the acquisition of E-Ten) were as follows (expressed in thousands of shares):

	December 31, 2015		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	263,889
GDRs	24,937	1,969,617	280,356
		$ 2,914,856	544,245

	December 31, 2014		
	Number of shares	**Carrying amount**	**Market value**
Common stock	21,809	$ 945,239	465,622
GDRs	24,937	1,969,617	544,972
		$ 2,914,856	1,010,594

(e) Other equity items (net after tax)

i. Foreign currency translation differences:

	2015	**2014**
Balance at January 1	$ 1,183,808	(262,231)
Foreign exchange differences arising from translation of foreign operations	253,604	1,446,039
Balance at December 31	$ 1,437,412	1,183,808

(Continued)

ii. Unrealized gain (loss) from available-for-sale financial assets:

	2015	2014
Balance at January 1	$ (114,205)	(1,163,645)
Changes in fair value of available-for-sale financial assets	(955,117)	1,049,440
Net gain on disposal of available-for-sale financial assets reclassified to profit or loss	(35,243)	-
Balance at December 31	**$ (1,104,565)**	**(114,205)**

iii. Remeasurement of defined benefit plans:

	2015	2014 (Restated)
Balance at January 1	$ 28,015	85,004
Change in the period	(92,391)	(56,989)
Balance at December 31	**$ (64,376)**	**28,015**

v. Unearned compensation cost:

	2015	2014
Balance at January 1	$ (251,710)	-
Unearned compensation cost arising from restricted shares of stock issued to employees	211,744	(251,710)
Balance at December 31	**$ (39,966)**	**(251,710)**

(Continued)

(18) Share-based payment

In 2015 and 2014, the Group had 3 share-based payment transactions as follows:

	Equity-settled		
	Employee stock option plans (ESOPs) of the Company	**Restricted shares of stock issued to employees**	**Issuance of new shares partially reserved for employee subscription**
Grant date	2011/6/15	2014/8/26	2014/12/23
Number of shares granted (in thousands)	10,000	17,460	30,000
Contract term	3 years	1~4 years	35 days
Qualified employees	Note 1	Employees of the Company conforming to certain requirements	Note 2
Vesting conditions	2 years of service subsequent to grant date	1~4 years of service subsequent to grant date	Nil

Note 1: The options were granted to eligible employees of the Company and its subsidiaries in which the Company, directly or indirectly, owns 50% or more of the subsidiary's voting shares.
Note 2: The options were granted to the full-time employees who were with the Company at the grant date.

(a) Employee stock option plan

Movements in number of ESOPs outstanding:

	2014	
	The Company's ESOPs	
	Number of options (in thousands)	**Weighted-average exercise price (in New Taiwan dollars)**
Outstanding, beginning of year	9,354	$25.99
Granted	-	-
Forfeited	(9,354)	-
Exercised	-	-
Outstanding, end of year	-	
Exercisable, end of year	-	

(Continued)

(b) Restricted shares of stock issued to employees

During their meeting on June 18, 2014, the Company's shareholders approved a resolution to issue 50,000,000 restricted shares of stock to full-time employees who conformed to certain requirements in one tranche or in installments within one year following the date of receipt of approval from the government authorities. The Company has received approval from the Securities and Futures Bureau of the FSC.

On August 26, 2014, the Board of Directors approved a resolution to issue 17,460,000 restricted shares of stock to employees, and the effective date of capital increase was set on the same date. The employees who were granted restricted shares of stock are entitled to purchase the restricted shares of stock at the exercise price of $0. The vesting period of the restricted shares of stock is 1~4 years subsequent to the grant date, and the restricted shares of stock will be vested from 0% to 25% considering the Company's and individual employee's performance conditions. The restricted shares of stock received by the employees shall be deposited and held in an escrow account and could not be sold, pledged, transferred, gifted, or disposed of in any other forms during the vesting period; nevertheless, the rights of a shareholder (such as voting and election at the shareholders' meeting) are the same as the rights of the Company's shareholders but are executed by the custodian. During the vesting period, the restricted shares of stock are entitled to any earnings distribution. The Company will take back the restricted shares of stock from employees and retire those shares when the vesting conditions are not met by the employees.

The movements in number of restricted shares of stock issued (in thousands) in 2015 and 2014 were as follows:

	2015	2014
Beginning of the year	17,220	-
Granted	(3,915)	17,460
Forfeited	(1,158)	(240)
End of the year	12,147	17,220

The fair value of the restricted shares of stock was $24.15 (in New Taiwan dollars) per share, which was determined by reference to the closing price of the Company's common stock traded on the Taiwan Stock Exchange at the grant date. For the years ended December 31, 2015 and 2014, the compensation cost for the restricted shares of stock amounted to $55,267 and $59,264, respectively, recognized as operating expenses.

(Continued)

(c) Issuance of new shares partially reserved for employee subscription

On August 7 and December 23, 2014, the Board of Directors approved a resolution to issue 300,000,000 shares of common stock, of which 30,000,000 shares were reserved for employees to subscribe. The Company utilized the Black-Scholes pricing model to calculate the fair value of the share-based transactions at the grant date. The assumptions adopted in the valuation model were as follows:

Expected volatility	29.23%
Expected contractual life	35 days
Risk-free interest rate	0.88%
Market price for underlying common stock at the grant date (in New Taiwan dollars)	$21
Exercise price per share (in New Taiwan dollars)	$18

The expected volatility is calculated based on the weighted average of historical volatility, while the expected contractual life of the option is determined by the contract term. The risk-free interest rate refers to the interest rate on one-month time deposits offered by Bank of Taiwan. Performance conditions and non-market conditions were excluded from the determination of fair value.

For the year ended December 31, 2014, the compensation cost arising from issuance of new shares partially reserved for employee subscription amounted to $90,000, recognized as operating expenses.

On January 12, 2012, the Group completed the acquisition of 100% equity ownership of iGware Inc.. In order to retain the Restricted Stock Units issued by iGware Inc. to its employee shareholders, the Company paid cash of US$18,144 and issued 11,517,053 shares of its common stock to the employee shareholders of iGware Inc. pursuant to the terms of the purchase agreement. Such cash shall be vested and common shares shall be transferred without restrictions when the employee shareholders have rendered services for a vesting period of 5 to 45 months and achieved certain performance conditions. During the vesting period, the cash and common shares were deposited and held in an escrow account; however, the employee shareholders still have the right to vote and receive earnings distributions. When the employee shareholders leave Acer Cloud Technology Inc., the unvested common shares held in the escrow account are forfeited and converted into cash. The cash, together with the cash deposited in the escrow account, if any, will be allocated to the other shareholders of iGware Inc. based on the original ownership percentage prior to the acquisition. The fair value of common shares issued was based on the closing price of the Company on January 12, 2012. As of the acquisition date, the unvested common stock and cash amounting to $797,418 were recognized as deferred compensation costs in the consolidated balance sheet, and amortized over the vesting period into operating expense. For the years ended December 31, 2015 and 2014, the related compensation costs recognized amounted to $76,645 and $201,021, respectively.

(Continued)

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Notes to Consolidated Financial Statements

(19) Earnings per share ("EPS")

(a) Basic earnings per share

The basic earnings per share were calculated as the earnings attributable to the shareholders of the Company divided by the weighted-average number of ordinary shares outstanding as follows:

		2015	2014
Net income attributable to the shareholders of the Company	$	603,680	1,790,690
Weighted-average number of ordinary shares outstanding (in thousands)		3,014,625	2,722,362
Basic earnings per share (in New Taiwan dollars)	**$**	**0.20**	**0.66**

(b) Diluted earnings per share

		2015	2014
Net income attributable to the shareholders of the Company	$	603,680	1,790,690
Effect of dilutive potential common stock:			
Interest expense from convertible bonds, net of tax		-	70,942
Net income attributable to the shareholders of the Company (including effect of dilutive potential common stock)	**$**	**603,680**	**1,861,632**
Weighted-average number of ordinary shares outstanding (in thousands of shares)		3,014,625	2,722,362
Effect of dilutive potential common stock:			
Restricted shares of stock issued to employees		15,487	5,780
Domestic convertible bonds		-	233,281
Compensation to employees		2,331	-
Weighted-average shares of common stock outstanding (including effect of dilutive potential common stock)		**3,032,443**	**2,961,423**
Diluted earnings per share (in New Taiwan dollars)	**$**	**0.20**	**0.63**

(Continued)

(20) Revenue

		2015	2014
Revenue from sale of goods	$	257,922,031	316,476,644
Revenue from services rendered		4,450,038	4,946,292
Others		1,403,133	8,261,335
	$	**263,775,202**	**329,684,271**

(21) Compensation to employees and directors

Pursuant to the Company's articles of incorporation passed by the Board of Directors but not yet approved by the shareholders, the Company shall distribute no less than 4% of its profits in the current period as compensation to its employees and no more than 0.8% to its directors. Nevertheless, the profits in the current period should be reserved for offsetting the accumulated deficit, if any, prior to distributing the compensation to the employees and directors. The aforementioned compensation to employees could be distributed in the form of cash or stock to the employees of the Company's subsidiaries conforming to certain requirements.

For the year ended December 31, 2015, the Company accrued its compensation to employees and directors of $28,200 and $5,640, respectively, which were calculated based on a certain percentage of the profits in the current period (excluding the compensation to employees and directors) and recognized them as operating expense. The aforementioned accrued compensation to employees is same with the amount approved by the Board of Directors on March 24, 2016 and will be paid in cash. Meanwhile, the Company's directors voluntarily renounced their entitlement for compensation. The difference of $5,640 is treated as change in accounting estimate and charged to profit and loss in 2016.

Furthermore, according to the Company's article of incorporation, regardless of whether there is operating profit or loss, the remuneration for directors is determined based on their involvement and contribution to the Company, as well as by taking into consideration the amount of compensation given to directors of a company within the same industry. The amount is proposed by the compensation committee and approved by the Board of Directors. For the year ended December 31, 2015, the remuneration for directors of $10,000 was recognized regardless of whether or not there were earnings.

(22) Other operating income and loss – net

		2015	2014
Rental income (note 6(14))	$	123,006	154,191
Government grants		153,451	178,568
	$	**276,457**	**332,759**

(Continued)

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Notes to Consolidated Financial Statements

(23) Non-operating income and loss

(a) Other income

		2015	2014
Interest income	$	227,438	283,592
Dividend income		249,246	131,140
	$	**476,684**	**414,732**

(b) Other gains and losses

		2015	2014
Foreign currency exchange loss	$	(2,096,215)	(3,642,695)
Gain on financial assets and liabilities at fair value through profit or loss		1,338,861	3,502,725
Loss on hedging instruments－fair value hedge		-	(12,161)
Gain (loss) on disposal of property, plant and equipment and investment property, net		(12,045)	65,727
Gain on disposal of intangible assets		24,107	-
Gain on repurchase of bonds payable		446,429	-
Loss on disposal of investments in subsidiaries		-	(13,291)
Gain on disposal of investments in associates		-	41,495
Other investment gain (loss)		23,613	(7,131)
Others		46,440	82,930
	$	**(228,810)**	**17,599**

(c) Finance costs

		2015	2014
Interest expense from convertible bonds (note 6(12))	$	177,779	340,524
Interest expense from bank loans		162,675	265,775
Others		-	44,907
	$	**340,454**	**651,206**

(Continued)

(24) Financial instruments

(a) Categories of financial instruments

i. Financial assets

		December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss	$	791,575	1,899,626
Available-for-sale financial assets		3,253,084	4,006,286
Loans and receivables:			
Cash and cash equivalents		44,621,527	47,558,651
Notes and accounts receivable and other receivables (including related parties)		49,536,024	60,453,208
Other financial assets – non-current		943,609	1,162,526
	$	**99,145,819**	**115,080,297**

ii. Financial liabilities

		December 31, 2015	December 31, 2014
Financial liabilities at fair value through profit or loss	$	318,934	624,227
Financial liabilities measured at amortized cost:			
Short-term borrowings		2,584,377	317,000
Accounts payable and other payables (including related parties)		78,075,927	93,627,646
Bonds payable (including current portion)		5,966,431	9,515,255
Long-term debt (including current portion)		1,800,000	7,200,000
	$	**88,745,669**	**111,284,128**

(b) Fair value information - financial instruments not measured at fair value

Except for those described in the table below, the Group considers the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	December 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities measured at amortized cost:				
Bonds payable (including current portion)	$ 5,966,431	5,976,600	9,515,255	9,709,282

The hierarchy of the above-mentioned fair value is as below:

	December 31, 2015 Fair value			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at amortized cost:				
Bonds payable (including current portion)	$ -	5,976,600	-	5,976,600

The above - mentioned Level 2 fair value is estimated based on the Binominal Tree Approach.

(c) Fir value information – financial instruments measured by fair value

(i) Fair value hierarchy

The table below analyzes financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

i. Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

ii. Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

iii. Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

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Notes to Consolidated Financial Statements

		Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial assets at fair value through profit or loss:					
Foreign currency forward contracts	$	-	783,900	-	783,900
Foreign currency option contracts		-	7,675	-	7,675
	$	-	791,575	-	791,575
Available-for-sale financial assets:					
Domestic listed stock	$	2,305,026	-	-	2,305,026
Unlisted stock		-	-	948,058	948,058
	$	2,305,026	-	948,058	3,253,084
Financial liabilities at fair value through profit or loss:					
Foreign currency forward contracts	$	-	(318,934)	-	(318,934)
December 31, 2014					
Financial assets at fair value through profit or loss:					
Foreign currency forward contracts	$	-	1,899,626	-	1,899,626
Available-for-sale financial assets:					
Domestic listed stock	$	3,264,003	-	-	3,264,003
Unlisted stock		-	-	742,283	742,283
	$	3,264,003	-	742,283	4,006,286
Financial liabilities at fair value through profit or loss:					
Foreign currency forward contracts	$	-	(101,728)	-	(101,728)
Redemption options of convertible bonds		-	(522,499)	-	(522,499)
	$	-	(624,227)	-	(624,227)

There were no transfers between fair value levels for the years ended December 31, 2015 and 2014.

(ii) Movement in financial assets included Level 3 of fair value hierarchy (available-for-sale financial assets)

		2015	2014
Balance at January 1	$	742,283	634,778
Total gains or losses:			
Recognized in gains and losses		(36,601)	-
Recognized in other comprehensive income		(36,503)	109,369
Additions		345,581	70,000
Disposal		(81,565)	(80,109)
Effect of exchange rate changes		14,863	8,245
Balance at December 31	$	948,058	742,283

(Continued)

The above-mentioned total gains or losses were included in “other gains and losses” and “change in fair value of available-for-sale financial assets”, respectively. The gains or losses attributable to the assets held on December 31, 2015 and 2014 are as follows:

		2015	2014
Total gains or losses:			
Recognized in gains and losses (included in “other gains and losses”)	$	(36,601)	-
Recognized in other comprehensive income (included in “change in fair value of available-for-sale financial assets”)		23,980	109,369

(iii) Valuation techniques and assumptions used in fair value measurement

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

i. The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (e.g. publicly traded stocks).

ii. The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts and foreign currency option contracts is computed individually by each contract using the valuation technique.

iii. The fair value of privately held stock is estimated by using the market approach and is determined by reference to recent financing activities, valuations of similar companies, market conditions, and other economic indicators. The significant unobservable input is the liquidity discount. No quantitative information is disclosed due to that the possible changes in liquidity discount would not cause significant potential financial impact.

(d) Offsetting of financial assets and liabilities

The Group has financial instruments which are set off in accordance with paragraph 42 of IAS 32 endorsed by the FSC; the related financial assets and liabilities are presented in the balance sheets on a net basis.

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Notes to Consolidated Financial Statements

The table below summarizes the related information of offsetting of financial assets and liabilities:

December 31, 2015

Financial assets subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$78,382,130	30,209,103	48,173,027	-	-	48,173,027

December 31, 2015

Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$72,946,000	30,209,103	42,736,897	-	-	42,736,897

December 31, 2014

Financial assets subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts receivable, net	$98,394,696	39,226,965	59,167,731	-	-	59,167,731

December 31, 2014

Financial liabilities subject to offsetting, enforceable master arrangements and similar agreements

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amount not set off in the balance sheet (d)		Net amounts
				Financial instruments	Cash collateral received	
	(a)	(b)	(c)=(a)-(b)			(e)=(c)-(d)
Notes and accounts payable	$94,051,377	39,226,965	54,824,412	-	-	54,824,412

(Continued)

(25) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, derivative instruments, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group maintains cash and enters into derivative transactions with reputable financial institutions; therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

The Group primarily sells and markets its multi-branded IT products through distributors in different geographic areas. The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographical spread.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and mid- to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2015 and 2014, the Group had unused credit facilities of $32,392,859 and $38,281,766, respectively.

(Continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

		Contractual cash flows	Within 1 year	1-2 years	2-5 years
December 31, 2015					
Non-derivative financial liabilities:					
Short-term borrowings carrying floating interest rates	$	2,604,779	2,604,779	-	-
Bonds payable with fixed interest rates		6,000,000	6,000,000	-	-
Long-term borrowings carrying floating interest rates		1,810,703	1,810,703	-	-
Accounts payable (including related party)		42,747,182	42,747,182	-	-
Other payables (including related party)		35,328,745	33,877,950	1,450,053	742
	$	**88,491,409**	**87,040,614**	**1,450,053**	**742**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$	79,837,704	79,837,704	-	-
Inflow		(80,354,681)	(80,354,681)	-	-
	$	**(516,977)**	**(516,977)**	**-**	**-**
Derivative financial instruments:					
Foreign currency option contracts－settled in gross:					
Outflow	$	2,196,439	2,196,439	-	-
Inflow		(2,138,130)	(2,138,130)	-	-
	$	**58,309**	**58,309**	**-**	**-**
December 31, 2014					
Non-derivative financial liabilities:					
Short-term borrowings carried floating interest rates	$	317,216	317,216	-	-
Bonds payable with fixed interest rates		9,773,177	3,773,177	6,000,000	-
Long-term borrowings carried floating interest rates		7,338,112	3,638,364	3,699,748	-
Accounts payables (including related party)		54,838,373	54,838,373	-	-
Other payables (including related party)		38,789,273	38,717,346	70,023	1,904
	$	**111,056,151**	**101,284,476**	**9,769,771**	**1,904**
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	$	78,940,401	78,940,401	-	-
Inflow		(80,702,056)	(80,702,056)	-	-
	$	**(1,761,655)**	**(1,761,655)**	**-**	**-**

The Group does not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

i. Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies used in these transactions are mainly the US dollar (USD) and Euro (EUR).

The Group utilizes foreign currency forward contracts to hedge its foreign currency exposure with respect to its forecast sales and purchases over the following 12 months.

i) Exposure to foreign currency risk and sensitivity analysis

The Group's exposure to foreign currency risk arises from cash and cash equivalents, notes and accounts receivable (including related-party transactions), notes and accounts payable (including related-party transactions), other receivables (including related-party transactions), other payables (including related-party transactions), loans and borrowings, and overseas convertible bonds that are denominated in a currency other than the respective functional currencies of the Group entities. At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2015				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss, (in thousands)**
Financial assets					
EUR	$ 16,234	35.9163	583,065	1%	5,831
USD	1,359,976	33.0660	44,968,966	1%	449,690
Financial liabilities					
EUR	5,785	35.9163	207,776	1%	2,078
USD	2,070,887	33.0660	68,475,950	1%	684,760

	December 31, 2014				
	Foreign currency (in thousands)	**Exchange rate**	**NTD (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss, (in thousands)**
Financial assets					
EUR	$ 28,886	38.3724	1,108,426	1%	11,084
USD	1,720,697	31.7180	54,577,067	1%	545,771
Financial liabilities					
EUR	22,295	38.3724	855,513	1%	8,555
USD	2,556,850	31.7180	81,098,176	1%	810,982

(Continued)

ii. Interest rate risk

The Group's short-term borrowings and long-term debt carried floating interest rates, and the Group has not entered into interest rate swap contracts to convert floating interest rates to fixed interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax loss for the years ended December 31, 2015 and 2014, would have been $43,844 and $75,170, respectively, higher/lower, which mainly resulted from the borrowings with floating interest rates.

iii. Other market price risk

The Group is exposed to the risk of price fluctuation in the securities market due to the investment in publicly traded stocks. The Group supervises the equity price risk actively and manages the risk based on fair value. The Group also has strategic investments in privately held stocks, which the Group does not actively participate in trading.

Assuming a hypothetical increase or decrease of 5% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2015 and 2014, would have increased or decreased by $162,654 and $200,314, respectively.

(26) Capital management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Group maintains an optimal capital structure to enhance long-term shareholder value by managing its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements for continuing operations and to reward shareholders and take into consideration the interests of other stakeholders. The Group monitors its capital through reviewing the financial ratios periodically.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Group's equity ratio at the end of each reporting period was as follows:

	December 31, 2015	December 31, 2014
Total equity (excluding non-controlling interests)	$ 65,852,731	60,627,593
Total assets	$ 171,742,203	191,095,037
Equity percentage	38.34%	31.73%

As of December 31, 2015, there were no changes in the Group's approach to capital management.

7. Related-party Transactions

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group. Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. The following is a summary of transactions between the Group and other related parties.

(2) Significant related-party transactions

(a) Revenue

	2015	2014
Associates	$ 229,946	244,109

The sales prices and payment terms for related parties were not significantly different from those for sales to non-related parties.

(b) Purchases

	2015	2014
Associates	$ 71,337	101,567

The trading terms with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

(Continued)

(c) Operating expenses

The operating expenses related to the management consulting service provided by related parties were as follows:

	2015	2014
Associates	$ 18,327	21,140

(d) Receivables

Account	Related party category	December 31, 2015	December 31, 2014
Accounts receivable	Associates	$ 52,676	23,836
Notes receivable	Associates	73	1
Other receivables	Associates	276	9
		$ 53,025	23,846

(e) Payables

Account	Related party category	December 31, 2015	December 31, 2014
Accounts payable	Associates	$ 10,285	13,961
Other payables	Associates	1,085	788
		$ 11,370	14,749

(f) Others

Account	Related party category	December 31, 2015	December 31, 2014
Advertising expense payable (accounted for as “other payables”)	Associates	$ -	139,392

(Continued)

(3) Compensation for key management personnel

		2015	2014
Short-term employee benefits	$	349,479	343,971
Post-employment benefits		28,186	70,833
Other long-term benefits		6,559	3,738
Share-based payments		14,836	13,304
	$	**399,060**	**431,846**

Refer to note 6(18) for the information related to share-based payments.

8. Pledged assets

The carrying amounts of assets pledged as collateral (classified as “other financial assets－non-current”) are detailed below:

Asset	Pledged to secure		December 31, 2015	December 31, 2014
Cash in bank and time deposits	Contract bidding, security for letters of credit, project fulfillment, and lease guarantee	$	**513,531**	**671,904**

9. Significant commitments and contingencies

(1) Royalties

The Company has entered into software and royalty license agreements with Microsoft, MPEG-LA, and other companies. The Company has fulfilled its obligations according to the contracts.

(2) Verwertungsgesellschaft Wort (“VG Wort”), a German language copyright association, has filed several lawsuits against PC companies for copyright levies on the sales of PC products in Germany in recent years. Among these lawsuits, the outcome of litigation brought by VG Wort against Fujitsu, which has been reviewed by the courts for several years, will be a leading case for the PC industry. If the final decision of the aforesaid lawsuit is in favor of VG Wort, it is expected that VG Wort will claim against other PC companies by invoking such decision. Given that the possibility of the courts making contrary decisions in similar cases is extremely remote, the Group has properly accrued provisions based on the aforesaid lawsuit and is keeping an eye on its status. Since the Group has not yet been a party to the lawsuits, management foresees no immediate material adverse effect on the Group’s business operations and finance.

(Continued)

(3) Koninklijke Philips N. V., Sony Corp. and Pioneer Corp. have filed a lawsuit against Acer Computer GmbH for infringing their patent on DVD softwares that were embedded in its products. The Group has hired lawyers to handle the case and taken preventive measures by removing the software. The final result is still unpredictable; however, the Group has properly accrued its provisions based on the development of the aforesaid lawsuit and is monitoring on its status. Thus, management foresees no immediate material adverse effect on the Group's business operations and finance.

(4) In the ordinary course of its business, from time to time, the Group receives notices from third parties asserting that Acer has infringed certain patents or demanding that Acer obtain certain patent licenses. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on the Group's business operations and finance, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

(5) As of December 31, 2015 and 2014, the Group had outstanding stand-by letters of credit totaling $332,803 and $326,926, respectively, for purposes of bids and contracts.

(6) As of December 31, 2015 and 2014, the Group had issued promissory notes amounting to $49,233,424 and $47,758,012, respectively, as collateral for obtaining credit facilities from financial institutions.

10. Significant loss from Casualty: None.

11. Significant subsequent events: None.

12. Others

	2015			2014		
	Cost of sales	**Operating expense**	**Total**	**Cost of sales**	**Operating expense**	**Total**
Employee benefits:						
Salaries	$ 1,263,651	9,958,380	11,222,031	1,390,113	10,824,600	12,214,713
Insurance	155,960	1,095,694	1,251,654	177,336	1,184,259	1,361,595
Pension	21,587	650,070	671,657	23,643	605,465	629,108
Other	73,218	944,428	1,017,646	72,120	643,571	715,691
Depreciation	32,277	652,608	684,885	48,199	743,010	791,209
Amortization	1,752	999,239	1,000,991	2,662	1,199,893	1,202,555

(Continued)

13. Additional disclosures

(1) Information on significant transactions:

(a) Financing provided to other parties: Table 1 (attached)

(b) Guarantees and endorsements provided to other parties: Table 2 (attached)

(c) Marketable securities held at reporting date (excluding investment in subsidiaries, associates, and jointly controlled entities): Table 3 (attached)

(d) Marketable securities for which the accumulated purchase or sale amounts for the period exceed $300 million or 20% of the paid-in capital: Table 4 (attached)

(e) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None

(f) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None

(g) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Table 5 (attached)

(h) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Table 6 (attached)

(i) Information about derivative instruments transactions: Please refer to note 6(2).

(j) Business relationships and significant intercompany transactions: Table 7 (attached)

(2) Information on investees: Table 8 (attached)

(3) Information on investment in Mainland China:

(a) The names of investees in Mainland China, the main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)

(b) Significant direct or indirect transactions with investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2015, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

(Continued)

14. Segment information

(1) General information

The Group's reportable segments comprise the device business group ("Device BG") and other business groups. The Device BG engages mainly in the research, design, marketing and service activities of personal computers, IT products, and smart handheld, tablet products and cloud services. Other business groups which do not meet the quantitative threshold mainly engage in the activities of e-commerce, distribution of IT products, handheld devices for the finance field and real estate services.

Restructuring costs and strategic investment expenditures (such as global branding expenditures, the amortization of the capital expenditures for the strengthening of the global information structure, and non-routine long-term strategic expenditures) are not allocated to reportable segments. Operating profit is used as the measurement for segment profit and the basis for performance evaluation. The reporting amount is consistent with the report used by chief operating decision maker. There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4.

The Group's operating segment information and reconciliation are as follows:

		2015			
		Device BG	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$	248,627,388	15,147,814	-	263,775,202
Intra-group revenue		1,941,263	309,669	(2,250,932)	-
Total revenues	**$**	**250,568,651**	**15,457,483**	**(2,250,932)**	**263,775,202**
Segment profit	**$**	**718,305**	**256,918**	**(36,615)**	**938,608**

		2014			
		Device BG	**Others**	**Adjustments and eliminations**	**Total**
Revenues from external customers	$	315,986,915	13,697,356	-	329,684,271
Intra-group revenue		1,727,649	1,201,520	(2,929,169)	-
Total revenues	**$**	**317,714,564**	**14,898,876**	**(2,929,169)**	**329,684,271**
Segment profit	**$**	**6,355,848**	**333,030**	**(3,981,213)**	**2,707,665**

(2) Product information

Revenues from external customers are detailed below:

Products	2015	2014
Personal computers	$ 207,663,803	267,962,103
Peripherals and others	56,111,399	61,722,168
	$ 263,775,202	**329,684,271**

(3) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenues from external customers are detailed below:

Region	2015	2014
Americas	$ 54,948,732	63,303,062
Mainland China	27,517,743	33,192,182
Taiwan	22,095,249	22,768,179
Others	159,213,478	210,420,848
	$ 263,775,202	**329,684,271**

Non-current assets:

Region	December 31, 2015	December 31, 2014
Americas	$ 20,114,236	18,636,984
Taiwan	7,419,564	8,044,084
Mainland China	3,071,177	3,251,514
Others	3,052,268	4,055,294
	$ 33,657,245	**33,987,876**

Non-current assets include property, plant and equipment, investment property, intangible assets and other assets, and do not include financial instruments, deferred tax assets, and pension fund assets.

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Major customers' information

	2015	2014
Customer A	$ 27,450,667	35,463,359

Acer Incorporated and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2015

Table 1

(Amounts in Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	ACCQ	ACCN	Other receivables from related parties	Yes	1,022,260	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
2	AIZS	ACCN	Other receivables from related parties	Yes	230,009	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
3	BJAI	ACCN	Other receivables from related parties	Yes	40,890	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
4	AI	ACCQ	Other receivables from related parties	Yes	891,102	891,102	891,102	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
4	AI	ACCQ	Other receivables from related parties	Yes	938,175	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
5	AHI	ACA	Other receivables from related parties	Yes	217,429	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
5	AHI	Boardwalk	Other receivables from related parties	Yes	919,822	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
6	GWI	AAC	Other receivables from related parties	Yes	634,360	479,457	446,391	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
7	GRA	GWI	Other receivables from related parties	Yes	108,660	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
8	ALA	ATB	Other receivables from related parties	Yes	990,527	988,673	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
8	ALA	AAC	Other receivables from related parties	Yes	903,864	903,864	903,864	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
9	AAC	ATB	Other receivables from related parties	Yes	1,268,720	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
10	ACTI	Boardwalk	Other receivables from related parties	Yes	951,540	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
10	ACTI	AAC	Other receivables from related parties	Yes	1,585,900	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
10	ACTI	AAC	Other receivables from related parties	Yes	2,650,240	2,645,280	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
10	ACTI	AAC	Other receivables from related parties	Yes	2,650,240	-	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
11	AGU	AEG	Other receivables from related parties	Yes	191,862	179,581	179,581	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
11	AGU	AEG	Other receivables from related parties	Yes	191,862	179,582	179,582	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
11	AGU	AEG	Other receivables from related parties	Yes	191,862	179,582	179,582	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
11	AGU	AEG	Other receivables from related parties	Yes	191,862	179,582	179,582	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
12	PBHO	AEG	Other receivables from related parties	Yes	191,862	179,581	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Actually drawndown Amounts	Interest Rate	Nature of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
13	AEB	XPL	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
14	AAH	AAC	Other receivables from related parties	Yes	5,125,230	5,125,230	5,125,230	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406
15	ADSC	AOI	Other receivables from related parties	Yes	10,000	10,000	-	0%~4%	2	-	Operating requirements	-	None	-	6,614,481	33,072,406

Note 1:Nature for Financing：
Type 2: Short-term financing purpose

Note 2: The aggregate financing amount shall not exceed 50% of the most recent audited or reviewed net worth of the Company (the amount shown above is based on the net worth as of September 30, 2015), within which, the short-term financing amount shall not exceed 20% of the most recent audited or reviewed net worth of the Company.
For an entity over which the Company owns more than 50% of its outstanding common shares, the individual financing amounts shall not exceed 10% of the most recent audited or reviewed net worth of the Company.
When a subsidiary is directly or indirectly wholly owned by the Company who provides financing to other parties, the aforementioned limitation of aggregate amount and individual financing amount is applied.

Note 3: The above transactions are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Guarantees and endorsements provided to other parties
For the year ended December 31, 2015

Table 2

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 1)										
0	The Company	AJC	3	13,228,962	635,589	632,605	42,806	-	0.96%	66,144,812	Y		
0	The Company	ATH	3	13,228,962	175,578	175,250	10,713	-	0.26%	66,144,812	Y		
0	The Company	Acer Asia Pacific subsidiaries	3	13,228,962	4,472,280	4,463,910	386,222	-	6.75%	66,144,812	Y		
0	The Company	AGU	3	13,228,962	314,716	314,127	314,127	-	0.47%	66,144,812	Y		
0	The Company	AEG	3	13,228,962	204,221	197,980	197,980	-	0.30%	66,144,812	Y		
0	The Company	Acer EMEA subsidiaries	3	13,228,962	4,861,190	4,298,580	588,361	-	6.50%	66,144,812	Y		
0	The Company	ACN/ACD/ACW/AFN	3	13,228,962	20,314	15,669	15,669	-	0.02%	66,144,812	Y		
0	The Company	ATB	3	13,228,962	2,184,237	2,154,199	291,399	-	3.26%	66,144,812	Y		
0	The Company	Acer Pan America subsidiaries	3	13,228,962	5,631,760	5,621,220	259,740	-	8.50%	66,144,812	Y		
0	The Company	AMEX	3	13,228,962	298,152	297,594	-	-	0.45%	66,144,812	Y		
0	The Company	Acer Greater China subsidiaties	3	13,228,962	1,822,040	1,818,630	4,699	-	2.75%	66,144,812	Y		Y
0	The Company	ACCSI	2	13,228,962	300,000	300,000	77,000	-	0.45%	66,144,812	Y		
0	The Company	AEB	2	13,228,962	400,000	400,000	-	-	0.60%	66,144,812	Y		
0	The Company	SMA	3	13,228,962	86,302	77,000	17,974	-	0.12%	66,144,812	Y		
0	The Company	ACA	3	13,228,962	356,615	356,615	356,615	-	0.54%	66,144,812	Y		
0	The Company	AIL	3	13,228,962	943,500	924,697	394,331	-	1.40%	66,144,812	Y		

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
Type 2: a subsidiary directly owned by the Company over 50%
Type 3: a subsidiary indirectly owned by the Company over 50%

Note 2: The aggregate endorsement/guarantee amount provided shall not exceed the most recent audited or reviewed net worth of the Company (the amount show above is based on the net worth as of September 30, 2015).
The endoresement/guarantee provided to individual guarantee party shall not exceed 20% of the most recent audited or reviewed net worth of the Company.

Acer Incorporated and Subsidiaries
Marketable securities held
(Excluding investments in subsidiaries, associates, and joint controlled entities)
December 31, 2015

Table 3

(Amounts in Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum ownership during 2015		Note
				Number of Shares/ Units (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	Shares/ Units (in thousands)	Percentage of Ownership	
The Company	Stock: Hon Hai	-	Available-for-sale financial assets - Current	641	51,755	0.00%	51,755	1,141	0.01%	
The Company	Stock: Qisda	-	Available-for-sale financial assets - Non Current	81,713	894,754	4.15%	894,754	81,713	4.15%	
The Company	Stock: WPG Holdings	-	Available-for-sale financial assets - Non Current	4,360	137,134	0.26%	137,134	4,360	0.26%	
The Company	Stock: Wistron	-	Available-for-sale financial assets - Non Current	50,218	934,062	1.97%	934,062	50,218	1.97%	
The Company	Stock: InCOMM	-	Available-for-sale financial assets - Non Current	-	2,360	0.06%	2,360	19	0.24%	
The Company	Stock: iDSoftCapital Inc.	-	Available-for-sale financial assets - Non Current	398	3,675	19.90%	3,675	398	19.90%	
The Company	Stock: World Venture, Inc.	-	Available-for-sale financial assets - Non Current	8,505	36,372	19.35%	36,372	8,505	19.35%	
The Company	Stock: Dragon Investment Co. Ltd.	-	Available-for-sale financial assets - Non Current	15,834	45,070	19.94%	45,070	17,791	19.94%	
The Company	Stock: Venture Power	-	Available-for-sale financial assets - Non Current	15	10	4.15%	10	15	4.15%	
ADSC	Stock: Wistron	-	Available-for-sale financial assets - Non Current	11,952	222,306	0.47%	222,306	11,952	0.47%	
ADSC	Stock: PChome Pay	-	Available-for-sale financial assets - Non Current	12,600	126,000	14.82%	126,000	12,600	14.82%	
ASCBVI	Stock: IP FUND III L.P.	-	Available-for-sale financial assets - Non Current	4,068	46,969	19.99%	46,969	4,068	19.99%	
ASCBVI	Stock: IDSCBVI	-	Available-for-sale financial assets - Non Current	60	1,448	19.90%	1,448	60	19.90%	
ASCBVI	Stock: ID5 Fund L.P.	-	Available-for-sale financial assets - Non Current	3,800	293,568	19.39%	293,568	3,800	19.39%	
ASCBVI	Stock: IP Cathay One, L.P.	-	Available-for-sale financial assets - Non Current	6,282	58,293	8.00%	58,293	6,282	8.00%	
ASCBVI	Stock: ID5 Annex I Fund L.P.	-	Available-for-sale financial assets - Non Current	957	18,672	19.15%	18,672	970	19.39%	
ASCBVI	Stock: ATS	-	Available-for-sale financial assets - Non Current	2,000	33,066	13.79%	33,066	2,000	13.79%	
ASCBVI	Stock: Trutag	-	Available-for-sale financial assets - Non Current	1,346	99,214	1.94%	99,214	1,346	1.94%	
ASCBVI	Stock: Gorilla	-	Available-for-sale financial assets - Non Current	244	66,132	2.21%	66,132	244	2.21%	
ASCBVI	Stock: Jibo	-	Available-for-sale financial assets - Non Current	5,659	66,132	2.33%	66,132	5,659	2.33%	
ASCBVI	Stock: Revolve	-	Available-for-sale financial assets - Non Current	927	19,013	10.07%	19,013	927	10.07%	
ASCBVI	Stock: Apptog	-	Available-for-sale financial assets - Non Current	6,429	16,533	18.90%	16,533	6,429	18.90%	
AWI	Stock: Acer Inc.	Parent/Subsidiary	Treasury stock	12,730	522,237	0.41%	154,032	12,730	0.41%	
AWI	GDR: Acer Inc.	Parent/Subsidiary	Treasury stock	4,987	1,969,617	0.81%	280,356	4,987	0.81%	
CCI	Stock: China Development Financial Holding Co.	-	Available-for-sale financial assets - Current	5,049	41,558	0.03%	41,558	5,049	0.03%	
CCI	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,774	57,762	0.15%	57,762	4,774	0.15%	
ETEN	Stock: RoyalTek	-	Available-for-sale financial assets - Non Current	1,015	23,457	2.01%	23,457	1,015	2.01%	
ETEN	Stock: Acer Inc.	Parent/Subsidiary	Available-for-sale financial assets - Non Current	4,305	52,095	0.14%	52,095	4,305	0.14%	
ETEN	Stock: Abico Shi-pro Co., Ltd.	-	Available-for-sale financial assets - Non Current	284	2,931	7.89%	2,931	284	7.89%	
WLII	Stock: TekCare Co.	-	Available-for-sale financial assets - Non Current	1,260	12,600	15.00%	12,600	1,260	15.00%	
Boardwalk	Stock: FuHu	-	Available-for-sale financial assets - Non Current	2,315	-	17.23%	-	2,315	17.23%	

Acer Incorporated and Subsidiaries

Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital

For the year ended December 31, 2015

Table 4

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (in thousands)	Amount (Note1)
The Company	Stock: Boardwalk	Investment accounted for using equity method	Note 2	Subsidiary	1,208,432	30,178,680	55,000	1,739,000	-	-	-	-	1,263,432	32,117,718
Boardwalk	Stock: ATB	Investment accounted for using equity method	Note 2	Subsidiary	95,459	194,676	154,006	1,580,040	-	-	-	-	249,465	926,939

Note 1: The ending balance includes unrealized gains/losses on financial assets, share of gains/losses of investees, foreign currency translation adjustments and other related adjustments.

Note 2: Not applicable as it is a capital injection made to the subsidiary.

Acer Incorporated and Subsidiaries
Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital
For the year ended December 31, 2015

Table 5

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
The Company	AEG	Parent/Subsidiary	(Sales)	(70,554,158)	(35.98)%	OA60	-	-	25,696	0.14%	
The Company	AAC	Parent/Subsidiary	(Sales)	(52,694,830)	(26.87)%	OA90	-	-	6,186,801	34.40%	
The Company	AAPH	Parent/Subsidiary	(Sales)	(38,155,282)	(19.46)%	OA60	-	-	5,645,694	31.39%	
The Company	ACCN	Parent/Subsidiary	(Sales)	(4,180,288)	(2.13)%	OA45	-	-	3,608	0.02%	
The Company	ACCQ	Parent/Subsidiary	(Sales)	(15,603,931)	(7.96)%	OA60	-	-	2,031,508	11.29%	
The Company	WLII	Parent/Subsidiary	(Sales)	(1,895,696)	(0.97)%	EM45	-	-	31,865	0.18%	
The Company	AFE	Parent/Subsidiary	(Sales)	(776,308)	(0.40)%	OA60	-	-	152,057	0.85%	
The Company	APX	Parent/Subsidiary	(Sales)	(296,210)	(0.15)%	OA60	-	-	30,604	0.17%	
The Company	ACCSI	Parent/Subsidiary	Purchases	550,329	0.30%	OA60	-	-	(49,643)	(0.14)%	
The Company	WLII	Parent/Subsidiary	Purchases	311,096	0.17%	EM45	-	-	(72,396)	(0.21)%	
The Company	ACTI	Parent/Subsidiary	Purchases	354,589	0.19%	OA60	-	-	(99,167)	(0.29)%	
ACCSI	The Company	Parent/Subsidiary	(Sales)	(550,329)	(54.51)%	OA60	-	-	49,643	32.84%	
WLII	The Company	Parent/Subsidiary	(Sales)	(311,096)	(3.31)%	EM45	-	-	72,396	4.83%	
WLII	The Company	Parent/Subsidiary	Purchases	1,895,696	21.08%	EM45	-	-	(31,865)	(2.69)%	
AAC	AMEX	Fellow subsidiary	(Sales)	(6,435,752)	(10.60)%	OA60	-	-	2,693,013	35.00%	
AAC	ASC	Fellow subsidiary	(Sales)	(234,418)	(0.39)%	OA60	-	-	40,457	0.53%	
AAC	The Company	Parent/Subsidiary	Purchases	52,694,830	93.11%	OA90	-	-	(6,186,801)	(86.27)%	
AAF	AME	Fellow subsidiary	(Sales)	(127,825)	(70.36)%	OA60	-	-	9,740	45.14%	
AAPH	ATH	Fellow subsidiary	(Sales)	(5,906,538)	(15.15)%	OA60	-	-	1,056,658	9.84%	
AAPH	AIL	Fellow subsidiary	(Sales)	(8,022,232)	(20.58)%	OA60	-	-	4,624,004	43.06%	
AAPH	AIN	Fellow subsidiary	(Sales)	(4,916,412)	(12.61)%	OA60	-	-	476,850	4.44%	
AAPH	ACA	Fellow subsidiary	(Sales)	(4,854,504)	(12.46)%	OA60	-	-	1,528,442	14.23%	
AAPH	ASSB	Fellow subsidiary	(Sales)	(4,339,043)	(11.13)%	OA60	-	-	435,078	4.05%	
AAPH	AJC	Fellow subsidiary	(Sales)	(1,693,202)	(4.34)%	OA60	-	-	1,078,802	10.05%	
AAPH	ACS	Fellow subsidiary	(Sales)	(2,116,978)	(5.43)%	OA60	-	-	187,936	1.75%	
AAPH	ACNZ	Fellow subsidiary	(Sales)	(884,761)	(2.27)%	OA60	-	-	284,385	2.65%	
AAPH	APHI	Fellow subsidiary	(Sales)	(843,980)	(2.17)%	OA60	-	-	73,352	0.68%	
AAPH	AMI	Fellow subsidiary	(Sales)	(242,173)	(0.62)%	OA60	-	-	24,712	0.23%	
AAPH	The Company	Parent/Subsidiary	Purchases	38,155,282	98.65%	OA60	-	-	(5,645,694)	(99.78)%	
AAPH	APHI	Fellow subsidiary	Purchases	101,272	0.26%	OA60	-	-	(26,050)	(0.46)%	
ACA	ACNZ	Fellow subsidiary	(Sales)	(140,912)	(2.13)%	OA60	-	-	7,256	0.67%	
ACA	Bluechip	Other related party	(Sales)	(224,198)	(3.39)%	OA60	-	-	48,685	4.52%	
ACA	AAPH	Fellow subsidiary	Purchases	4,854,504	77.75%	OA60	-	-	(1,528,442)	(92.59)%	
ACCN	The Company	Parent/Subsidiary	Purchases	4,180,288	18.63%	OA45	-	-	(3,608)	(0.08)%	
ACCN	ACCQ	Fellow subsidiary	Purchases	17,836,188	79.49%	OA60	-	-	(4,616,769)	(96.97)%	
ACCQ	ACCN	Fellow subsidiary	(Sales)	(17,836,188)	(88.41)%	OA60	-	-	4,616,769	100.00%	
ACCQ	The Company	Parent/Subsidiary	Purchases	15,603,931	79.45%	OA60	-	-	(2,031,508)	(64.58)%	
ACF	AEG	Fellow subsidiary	(Sales)	(367,214)	(2.94)%	OA60	-	-	530,761	15.40%	
ACF	AEG	Fellow subsidiary	Purchases	11,091,837	89.24%	OA60	-	-	(962,167)	(93.71)%	
ACF	APX	Fellow subsidiary	Purchases	195,435	1.57%	OA60	-	-	(14,914)	(1.45)%	
ACG	AEG	Fellow subsidiary	(Sales)	(729,648)	(2.93)%	OA60	-	-	1,359,396	22.15%	
ACG	APX	Fellow subsidiary	(Sales)	(203,940)	(0.82)%	OA60	-	-	36,009	0.59%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
ACG	AEG	Fellow subsidiary	Purchases	22,604,781	93.50%	OA60	-	-	(2,025,750)	(95.62)%	
ACG	APX	Fellow subsidiary	Purchases	471,283	1.95%	OA45	-	-	(75,203)	(3.55)%	
ACH	AEG	Fellow subsidiary	(Sales)	(277,985)	(4.54)%	OA60	-	-	413,516	27.13%	
ACH	AEG	Fellow subsidiary	Purchases	5,354,420	89.90%	OA60	-	-	(519,514)	(95.06)%	
ACH	APX	Fellow subsidiary	Purchases	162,011	2.72%	OA60	-	-	(26,764)	(4.90)%	
ACNZ	AAPH	Fellow subsidiary	Purchases	884,761	81.55%	OA60	-	-	(284,385)	(95.04)%	
ACNZ	ACA	Fellow subsidiary	Purchases	140,912	12.99%	OA60	-	-	(7,256)	(2.42)%	
ACR	AEG	Fellow subsidiary	Purchases	890,404	60.93%	OA60	-	-	-	-	
ACR	APX	Fellow subsidiary	Purchases	152,197	10.41%	OA60	-	-	(20,385)	(27.42)%	
ACS	AAPH	Fellow subsidiary	Purchases	2,116,978	96.61%	OA60	-	-	(187,936)	(95.27)%	
ACTI	The Company	Parent/Subsidiary	(Sales)	(354,589)	(98.52)%	OA60	-	-	99,167	100.00%	
ACZ	AEG	Fellow subsidiary	(Sales)	(277,727)	(49.95)%	OA60	-	-	-	-	
ACZ	APX	Fellow subsidiary	Purchases	192,641	39.38%	OA90	-	-	(26,755)	(86.28)%	
AEG	ACG	Fellow subsidiary	(Sales)	(22,604,781)	(26.41)%	OA60	-	-	2,025,750	13.40%	
AEG	ACF	Fellow subsidiary	(Sales)	(11,091,837)	(12.96)%	OA60	-	-	962,167	6.37%	
AEG	ACR	Fellow subsidiary	(Sales)	(890,404)	(1.04)%	OA60	-	-	-	-	
AEG	AUK	Fellow subsidiary	(Sales)	(10,169,609)	(11.88)%	OA60	-	-	2,256,962	14.93%	
AEG	AME	Fellow subsidiary	(Sales)	(7,792,970)	(9.10)%	OA60	-	-	1,763,804	11.67%	
AEG	ASK	Fellow subsidiary	(Sales)	(9,198,717)	(10.75)%	OA60	-	-	817,550	5.41%	
AEG	AIB	Fellow subsidiary	(Sales)	(6,612,673)	(7.73)%	OA60	-	-	965,696	6.39%	
AEG	ACH	Fellow subsidiary	(Sales)	(5,354,420)	(6.26)%	OA60	-	-	519,514	3.44%	
AEG	AIT	Fellow subsidiary	(Sales)	(5,761,204)	(6.73)%	OA60	-	-	1,468,502	9.72%	
AEG	APX	Fellow subsidiary	(Sales)	(247,418)	(0.29)%	OA60	-	-	9,453	0.06%	
AEG	ASIN	Fellow subsidiary	(Sales)	(2,815,892)	(3.29)%	OA60	-	-	1,232,836	8.16%	
AEG	ASZ	Fellow subsidiary	(Sales)	(2,557,110)	(2.99)%	OA60	-	-	410,940	2.72%	
AEG	AUA	Fellow subsidiary	(Sales)	(399,667)	(0.47)%	OA60	-	-	437	0.00%	
AEG	The Company	Parent/Subsidiary	Purchases	70,554,158	85.20%	OA60	-	-	(25,696)	(0.31)%	
AEG	ACZ	Fellow subsidiary	Purchases	277,727	0.34%	OA60	-	-	-	-	
AEG	APX	Fellow subsidiary	Purchases	313,462	0.38%	OA60	-	-	-	-	
AEG	ACG	Fellow subsidiary	Purchases	729,648	0.88%	OA60	-	-	(1,359,396)	(16.35)%	
AEG	ACF	Fellow subsidiary	Purchases	367,214	0.44%	OA60	-	-	(530,761)	(6.38)%	
AEG	AIT	Fellow subsidiary	Purchases	330,566	0.40%	OA60	-	-	(352,083)	(4.23)%	
AEG	ACH	Fellow subsidiary	Purchases	277,985	0.34%	OA60	-	-	(413,516)	(4.97)%	
AEG	AIB	Fellow subsidiary	Purchases	291,525	0.35%	OA60	-	-	(435,998)	(5.24)%	
AEG	AUK	Fellow subsidiary	Purchases	139,771	0.17%	OA60	-	-	(686,575)	(8.26)%	
AFE	The Company	Parent/Subsidiary	Purchases	776,308	95.63%	OA60	-	-	(152,057)	(97.72)%	
AIB	AEG	Fellow subsidiary	(Sales)	(291,525)	(3.94)%	OA60	-	-	435,998	19.25%	
AIB	AEG	Fellow subsidiary	Purchases	6,612,673	92.41%	OA60	-	-	(965,696)	(96.71)%	
AIB	APX	Fellow subsidiary	Purchases	209,010	2.92%	OA60	-	-	(32,759)	(3.28)%	
AIL	AAPH	Fellow subsidiary	Purchases	8,022,232	70.00%	OA60	-	-	(4,624,004)	(94.31)%	
AIN	AMI	Parent/Subsidiary	(Sales)	(218,549)	(3.57)%	OA60	-	-	139,888	36.04%	
AIN	AMI	Parent/Subsidiary	Purchases	554,949	9.82%	OA90	-	-	(161,333)	(20.21)%	
AIN	AAPH	Fellow subsidiary	Purchases	4,916,412	87.01%	OA60	-	-	(476,850)	(59.73)%	
AIT	AEG	Fellow subsidiary	(Sales)	(330,566)	(5.09)%	OA60	-	-	352,083	12.03%	
AIT	AEG	Fellow subsidiary	Purchases	5,761,204	91.26%	OA60	-	-	(1,468,502)	(99.03)%	
AJC	AAPH	Fellow subsidiary	Purchases	1,693,202	91.48%	OA60	-	-	(1,078,802)	(97.41)%	
AME	AEG	Fellow subsidiary	Purchases	7,792,970	96.50%	OA60	-	-	(1,763,804)	(95.89)%	
AME	AAF	Fellow subsidiary	Purchases	127,825	1.58%	OA60	-	-	(9,740)	(0.53)%	

Company Name	Related Party	Name of Relationship	Transaction Details				Transactions with Terms Different from Others (Note 1)		Notes/Accounts Receivable or (Payable)		Note
			Purchases/ (Sales)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total Notes/Accounts Receivable or (Payable)	
AMEX	AAC	Fellow subsidiary	Purchases	6,435,752	100.00%	OA60	-	-	(2,693,013)	(99.49)%	
AMI	AIN	Parent/Subsidiary	(Sales)	(554,949)	(99.90)%	OA90	-	-	161,333	100.00%	
AMI	AIN	Parent/Subsidiary	Purchases	218,549	96.72%	OA60	-	-	(139,888)	(80.94)%	
AMI	AAPH	Fellow subsidiary	Purchases	242,173	100.00%	OA60	-	-	(24,712)	(14.30)%	
APHI	AAPH	Fellow subsidiary	(Sales)	(101,272)	(8.59)%	OA60	-	-	26,050	44.12%	
APHI	AAPH	Fellow subsidiary	Purchases	843,980	90.32%	OA60	-	-	(73,352)	(73.09)%	
APX	ACG	Fellow subsidiary	(Sales)	(471,283)	(21.14)%	OA45	-	-	75,203	32.76%	
APX	AEG	Fellow subsidiary	(Sales)	(313,462)	(14.06)%	OA60	-	-	-	-	
APX	ACF	Fellow subsidiary	(Sales)	(195,435)	(8.77)%	OA60	-	-	14,914	6.50%	
APX	ACR	Fellow subsidiary	(Sales)	(152,197)	(6.83)%	OA60	-	-	20,385	8.88%	
APX	ACZ	Fellow subsidiary	(Sales)	(192,641)	(8.64)%	OA90	-	-	26,755	11.66%	
APX	ACH	Fellow subsidiary	(Sales)	(162,011)	(7.27)%	OA60	-	-	26,764	11.66%	
APX	AIB	Fellow subsidiary	(Sales)	(209,010)	(9.38)%	OA60	-	-	32,759	14.27%	
APX	AUK	Fellow subsidiary	(Sales)	(140,510)	(6.30)%	OA60	-	-	17,762	7.74%	
APX	The Company	Parent/Subsidiary	Purchases	296,210	16.73%	OA60	-	-	(30,604)	(15.19)%	
APX	ACG	Fellow subsidiary	Purchases	203,940	11.52%	OA60	-	-	(36,009)	(17.88)%	
APX	AEG	Fellow subsidiary	Purchases	247,418	13.98%	OA60	-	-	(9,453)	(4.69)%	
ASC	AAC	Fellow subsidiary	Purchases	234,418	100.00%	OA60	-	-	(40,457)	(34.41)%	
ASIN	AEG	Fellow subsidiary	Purchases	2,815,892	100.00%	OA60	-	-	(1,232,836)	(100.00)%	
ASK	AEG	Fellow subsidiary	Purchases	9,198,717	100.00%	OA60	-	-	(817,550)	(99.08)%	
ASSB	SMA	Parent/Subsidiary	(Sales)	(404,981)	(9.30)%	OA60	-	-	24,023	7.43%	
ASSB	AAPH	Fellow subsidiary	Purchases	4,339,043	100.00%	OA60	-	-	(435,078)	(97.31)%	
ASZ	AEG	Fellow subsidiary	Purchases	2,557,110	92.42%	OA60	-	-	(410,940)	(98.66)%	
ATH	AAPH	Fellow subsidiary	Purchases	5,906,538	87.74%	OA60	-	-	(1,056,658)	(91.09)%	
AUA	AEG	Fellow subsidiary	Purchases	399,667	84.60%	OA60	-	-	(437)	(10.56)%	
AUK	AEG	Fellow subsidiary	(Sales)	(139,771)	(1.25)%	OA60	-	-	686,575	16.69%	
AUK	AEG	Fellow subsidiary	Purchases	10,169,609	94.62%	OA60	-	-	(2,256,962)	(99.87)%	
AUK	APX	Fellow subsidiary	Purchases	140,510	1.31%	OA60	-	-	(17,762)	(0.78)%	
SMA	ASSB	Parent/Subsidiary	Purchases	404,981	9.17%	OA60	-	-	(24,023)	(17.30)%	

Note 1: The trade terms and price of sales with related parties are not comparable to the trading terms and prices with third-party customers as they are determined by the economic environment and market competition of specific locations. The trading terms of purchase with related parties are not comparable to the trading terms with third-party vendors as the specifications of products are different.

Note 2: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries

Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital

December 31, 2015

Table 6

(Amounts in Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
The Company	AAC	Parent/Subsidiary	6,186,801	5.98	-	-	6,180,768	
The Company	AAPH	Parent/Subsidiary	5,645,694	8.06	-	-	5,645,694	
The Company	ACCQ	Parent/Subsidiary	3,152,632	8.95	41,042	Under collection	2,558,617	
The Company	AFE	Parent/Subsidiary	152,057	8.03	21,591	Under collection	130,456	
The Company	TWPBJ	Parent/Subsidiary	106,529	0.61	101,380	Under collection	5,149	
AAC	AMEX	Fellow subsidiary	2,693,733	2.94	-	-	2,457,659	
AAC	ASC	Fellow subsidiary	557,021	4.26	-	-	40,457	
AAH	AAC	Parent/Subsidiary	5,125,936	-	-	-	-	
AAPH	ATH	Fellow subsidiary	1,056,658	5.80	191,221	Under collection	727,452	
AAPH	AIL	Fellow subsidiary	4,624,004	2.13	-	-	2,199,321	
AAPH	AIN	Fellow subsidiary	476,850	11.42	-	-	315,188	
AAPH	ACA	Fellow subsidiary	1,528,442	3.43	-	-	893,322	
AAPH	ASSB	Fellow subsidiary	435,078	9.98	-	-	435,078	
AAPH	AJC	Fellow subsidiary	1,078,802	1.51	-	-	277,258	
AAPH	ACS	Fellow subsidiary	187,936	11.97	-	-	187,936	
AAPH	ACNZ	Fellow subsidiary	284,385	3.56	-	-	189,898	
ACCN	ACCQ	Fellow subsidiary	337,535	21.46	-	-	48,861	
ACCQ	ACCN	Fellow subsidiary	4,616,844	7.73	2,677	Under collection	3,234,165	
ACF	AEG	Fellow subsidiary	703,277	0.61	-	-	75,849	
ACG	AEG	Fellow subsidiary	1,471,501	0.55	-	-	138,845	
ACH	AEG	Fellow subsidiary	450,540	0.67	-	-	23,022	
ACR	AEG	Fellow subsidiary	207,566	-	-	-	-	
AEG	ACG	Fellow subsidiary	2,025,750	9.19	-	-	2,025,750	
AEG	ACF	Fellow subsidiary	962,167	8.96	-	-	962,167	
AEG	AUK	Fellow subsidiary	2,257,634	3.89	-	-	2,257,634	
AEG	AME	Fellow subsidiary	1,766,459	4.33	-	-	1,490,540	
AEG	ASK	Fellow subsidiary	817,579	10.31	318	Under collection	817,261	
AEG	AIB	Fellow subsidiary	965,711	4.41	-	-	963,541	
AEG	ACH	Fellow subsidiary	519,514	6.53	42,347	Under collection	477,167	
AEG	AIT	Fellow subsidiary	1,468,502	2.92	-	-	1,468,502	
AEG	ASIN	Fellow subsidiary	1,235,165	4.57	-	-	1,150,278	
AEG	ASZ	Fellow subsidiary	410,940	5.63	1,147	Under collection	409,792	
AGU	AEG	Fellow subsidiary	720,462	-	-	-	-	
AIB	AEG	Fellow subsidiary	475,523	0.61	-	-	-	
AIN	AMI	Parent/Subsidiary	139,888	2.69	-	-	139,888	
AIT	AEG	Fellow subsidiary	493,913	0.82	-	-	31,998	
ALA	AAC	Fellow subsidiary	903,864	-	-	-	-	
AME	AEG	Fellow subsidiary	223,331	-	-	-	22,682	
AMI	AIN	Parent/Subsidiary	161,333	6.73	-	-	161,321	
ASC	AAC	Fellow subsidiary	102,439	2.63	-	-	7	

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
ASIN	AEG	Fellow subsidiary	167,373	-	-	-	-	
ASCBVI	LONG	Parent/Subsidiary	330,661	-	-	-	-	
ASK	AEG	Fellow subsidiary	397,153	-	-	-	-	
ASZ	AEG	Fellow subsidiary	269,225	0.37	-	-	16,792	
AUK	AEG	Fellow subsidiary	831,755	0.19	-	-	33,738	
GWI	AAC	Parent/Subsidiary	448,572	-	-	-	-	
LONG	SURE	Parent/Subsidiary	330,661	-	-	-	-	

Note: The above transactions between parent and subsidiary are eliminated when preparing the consolidated financial statements.

Acer Incorporated and Subsidiaries
Intercompany relationships and significant intercompany transactions
For the year ended December 31, 2015

Table 7

(Amounts in Thousands of New Taiwan Dollars)

Intercomapny relationships and significant intercompany transactions for the year ended December 31, 2015 were as follows:

Number (Note 1)	Company Name	Counter Party	Nature of Relationship (Note 2)	Transaction Details			Percentage of Consolidated Net Revenue or Total Assets
				Account	Amount	Payment Terms	
0	The Company	AEG	1	Sales	70,554,158	OA60	26.75%
0	The Company	AAC	1	Sales	52,694,830	OA90	19.98%
0	The Company	AAPH	1	Sales	38,155,282	OA60	14.47%
0	The Company	ACCN	1	Sales	4,180,288	OA45	1.58%
0	The Company	ACCQ	1	Sales	15,603,931	OA60	5.92%
0	The Company	AAC	1	Accounts receivable	6,186,801	OA90	3.60%
0	The Company	AAPH	1	Accounts receivable	5,645,694	OA60	3.29%
0	The Company	ACCQ	1	Accounts receivable	2,031,508	OA60	1.18%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:
1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchases and accounts payables are not disclosed.

Acer Incorporated and Subsidiaries
Names, Locations, and Related Information of Investees over which The Company Exercises Significant Influence
December 31, 2015

Table 8

(Amounts in Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount December 31, 2015	Original Investment Amount December 31, 2014	Balances as of December 31, 2015 Shares (in thousands)	Balances as of December 31, 2015 Percentage of Ownership	Balances as of December 31, 2015 Carrying Value	Maximum ownership during 2015 Shares (in thousands)	Maximum ownership during 2015 Percentage of Ownership	Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
The Company	ADSC	Taiwan	Investing and holding company	1,746,549	1,746,549	128,282	100.00	1,728,741	128,282	100.00	20,891	20,891	Parent/Subsidiary
The Company	Boardwalk	British Virgin Islands	Investing and holding company	41,496,383	39,757,383	1,263,432	92.02	32,117,718	1,278,432	91.68	(1,005,808)	(922,709)	Parent/Subsidiary
The Company	AEH	Cyprus	Investing and holding company	2,464,262	2,464,262	10	100.00	18,031,376	10	100.00	(1,292,954)	(1,292,954)	Parent/Subsidiary
The Company	AHI	British Virgin Islands	Investing and holding company	1,130,566	1,130,566	33,550	100.00	9,108,114	33,550	100.00	229,709	229,709	Parent/Subsidiary
The Company	Bluechip	Australia	Sale of peripheral and software system	24,249	24,249	1,073	29.26	68,459	1,073	30.61	7,676	2,559	Associate
The Company	AWI	British Virgin Islands	Investing and holding company	4,069,764	4,069,764	1,326,193	100.00	273,166	1,326,193	100.00	1,064	1,064	Parent/Subsidiary
The Company	ASCBVI	British Virgin Islands	Investing and holding company	1,718,547	1,718,547	35,067	100.00	1,209,699	35,067	100.00	66,549	66,549	Parent/Subsidiary
The Company	CCI	Taiwan	Investing and holding company	1,299,817	1,299,817	-	100.00	1,149,127	-	100.00	8,281	8,281	Parent/Subsidiary
The Company	ADSBH	British Virgin Islands	Investing and holding company	1,175,933	1,175,933	2,246	100.00	(315,890)	2,246	100.00	(67,563)	(67,563)	Parent/Subsidiary
The Company	ACCSI	Taiwan	Electronic data supply, processing and storage services	2,943,044	2,943,044	187,092	100.00	1,896,883	187,092	100.00	103,100	103,100	Parent/Subsidiary
The Company	AGC	British Virgin Islands	Investing and holding company	4,941,292	4,941,292	160,989	100.00	5,872,557	160,989	100.00	125,998	125,998	Parent/Subsidiary
The Company	AEB	Taiwan	Electronic data supply, processing and storage services	250,000	250,000	25,000	100.00	234,539	25,000	100.00	(16,206)	(16,206)	Parent/Subsidiary
The Company	WLII	Taiwan	Sale of computers and communication products	1,115,474	1,115,474	70,088	99.79	1,254,240	70,088	99.79	42,532	42,442	Parent/Subsidiary
The Company	ATI	Taiwan	Integrated circuit test service	819,792	819,792	1,203	19.39	6,599	1,203	19.39	-	-	Associate
The Company	LTS	Taiwan	Electronic data supply, processing and storage services	-	-	-	-	-	100	100.00	(2)	(2)	Parent/Subsidiary
The Company	ETEN	Taiwan	Research, design and sale of smart hand held products	6,800,751	6,800,751	20,000	100.00	2,583,281	20,000	100.00	(128,236)	(128,236)	Parent/Subsidiary
ACCSI	TWPBVI	British Virgin Islands	Investing and holding company	32,298	32,298	11,068	100.00	2,975	11,068	100.00	(4,348)	(4,348)	Parent/Subsidiary
ADSC	ECOM	Taiwan	Business integration system	40,851	40,851	1,244	24.88	19,760	1,244	24.88	13,427	3,410	Associate
ADSC	APDI	Taiwan	Property development	29,577	29,577	2,958	100.00	103,010	2,958	100.00	986	986	Parent/Subsidiary
ADSC	ASDI	Taiwan	Property development	500,000	500,000	22,593	100.00	216,803	22,593	100.00	383	383	Parent/Subsidiary
ADSC	AOI	Taiwan	Software design services	30,000	30,000	3,000	100.00	26,534	3,000	100.00	(3,426)	(3,426)	Parent/Subsidiary
ADSC	YR Creative Cultural Art International	Taiwan	Cultural and creative industries	6,000	6,000	600	20.00	-	600	20.00	(9,180)	(1,836)	Associate
ADSC	MPS	Taiwan	Research, development, and sales of battery	100,000	-	10,000	100.00	99,470	10,000	100.00	(530)	(530)	Parent/Subsidiary
WLII	Provision International	Taiwan	Retail of information software	23,668	23,668	882	30.22	15,279	882	30.22	9,822	2,968	Associate

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balances as of December 31, 2015			Maximum ownership during 2015		Net Income (Loss) of the Investee	Share of profits/ losses of investee	Note
				December 31, 2015	December 31, 2014	Shares (in thousands)	Percentage of Ownership	Carrying Value	Shares (in thousands)	Percentage of Ownership			
WLII	WELL	Taiwan	Matchmaking of professional services, platform of client service and sale of products, and providing of professional seminars and courses	10,000	-	10,000	100.00	10,000	10,000	100.00	-	-	Parent/Subsidiary
AEH	Boardwalk	British Virgin Islands	Investing and holding company	3,333,032	3,333,032	109,639	7.98	2,814,051	109,639	8.32	(1,005,808)	(83,100)	Associate
AHN	Sertec 360	Switzerland	Holding company	14,462	14,462	1	51.00	1,126	1	51.00	(17,508)	(8,929)	Associate

Acer Incorporated and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2015

Table 9

(Amounts in Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net Income (Losses) of Investee	% of Ownership of Direct or Indirect Investment	Maximum ownership during 2015		Share of profits/ losses of investee	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow				Shares	Percentage of Ownership			
Acer Third Wave Software (Beijing) Co., Ltd.	Software research, development, design, trading and consultation	99,198	2	99,198	-	-	99,198	(4,383)	100.00	-	100.00	(4,383)	(2,141)	-
Beijing Acer Information Co., Ltd.	Sale of brand-name information technology product	59,519	2	-	-	-	-	(109)	100.00	-	100.00	(109)	43,259	-
Acer Information (Zhong Shan) Co., Ltd.	Sale of brand-name information technology product	49,599	2	-	-	-	-	920	100.00	-	100.00	920	231,850	-
Acer Computer (Shanghai) Ltd.	Sale of brand-name information technology product	66,132	2	66,132	-	-	66,132	(12,598)	100.00	-	100.00	(12,598)	1,350,140	-
Acer (Chongqing) Ltd.	Sale of brand-name information technology product	4,959,900	2	5,092,164 (Note 2)	-	-	5,092,164	245,973	100.00	-	100.00	245,973	3,815,674	-
Acer Information Technology R&D (Shanghai) Co., Ltd	Research and design of smart hand held products	66,132	2	-	-	-	-	(16)	100.00	-	100.00	(16)	3,725	-
Acer Colud Technology(Chongqing) Ltd.	Design, development, sales, and advisory of computer software and hardware	165,330	1	-	165,330	-	165,330	(301)	100.00	-	100.00	(301)	159,206	-
Innovation and Commercialization Accelerator Inc.	Development, design, manufacturing, sales, and maintenance of intelligent terminal devices	30,552	2	-	30,552	-	30,552	(294)	30.00	-	30.00	(88)	30,464	-

Note 1: Method of Investment:
Type 1: Direct investment in Mainland China.
Type 2: Indirect investment in Mainland China through a holding company established in other countries.
Note 2: Acer Intellectual (Chongqing) Limited had merged with Acer (Chongqing) Ltd. in 2014, and Acer (Chongqing) Ltd. was the surviving entity from the merger. This amount included the original investment in Acer Intellectual (Chongqing) Limited of $ 132,264 (US $4,000 thousand).

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company and Subsidiaries	$ 5,453,376 (US $164,923,972)	$ 6,008,895 (US $181,724,286.5)	(Note 3)

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$33.066 as of December 31, 2015.
Note 3: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

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